



# Federated City Employees' Retirement System

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\*Tier 1 and Tier 1 Classic\*\*  
Retirement Benefits Handbook

MARCH 2025

\*Tier 1 applies to employees hired on or before September 29, 2012. For more information on Tier 1 eligibility, refer to Chapter 3: Membership.

\*\* Tier 1 Classic applies to employees hired on or after September 30, 2012, who are otherwise eligible for this Plan and who, prior to January 1, 2013, were active members in another California public retirement system, with which this Plan has reciprocity under Part 21 of the San José Municipal Code and who have a break in service of less than six (6) months from that covered employment and employment

with the City, other than those who meet the definition of a new member as defined by Government Code Section 7522.04(f) as may be amended.

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## Chapter 1: Introduction

The purpose of this handbook is to summarize Tier 1 and Tier 1 Classic retirement benefits available to members and beneficiaries of the Federated City Employees' Retirement System ("FCERS"). The Plan provides benefits to qualifying non-sworn employees of the City of San José as prescribed in the San José Municipal Code ("SJMC"). The terms and conditions of benefits under the Plan are established in the San José Municipal Code ("SJMC"), the San José City Charter, and other applicable state and federal laws.

This handbook is based on the Office of Retirement Services' ("ORS") understanding of the SJMC and any other applicable law as of the time of this handbook's preparation. Applicable law and the SJMC, or interpretations thereof, may change from time to time. **IF THIS HANDBOOK DIFFERS IN ANY WAY FROM THE SJMC OR APPLICABLE LAW, THE SJMC OR LAW WILL PREVAIL.**

The Tier 1 retirement plan became effective on July 1, 1975, and applies to full-time and some qualified part-time employees who were hired on or before September 29, 2012. Tier 1 Classic applies to employees hired on or after September 30, 2012 who are otherwise eligible for this Plan and who were active members in another California public retirement system, with which this Plan has reciprocity under Part 21 of the San José Municipal Code, prior to January 1, 2013, and who has a break in service of less than six (6) months from that covered employment and employment with the City, other than those who meet the definition of a new member as defined by Government Code Section 7522.04(f) as may be amended.

Full-time Federated employees hired on or after September 30, 2012, and who do not qualify for Tier 1 Classic, are members of Tier 2. There are separate retirement plans for public safety officers.

Changes to retirement benefits are subject to the meet and confer process under the Meyers-Milius-Brown Act, approval by City Council, and/or voter approval, depending on the nature of the change.

Please contact ORS if you have any questions regarding your retirement benefits. We are here to help!

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## Chapter 2: Plan Management

This chapter describes the structure and responsibilities of the Board of Administration for the Federated City Employees' Retirement System. In addition, information on the schedule for regular monthly Board meetings and the process for hearings are included.

### Board of Administration

This retirement system is managed by the Board of Administration for the Federated City Employee's Retirement System (referred to in this handbook as the Retirement Board or the Board). The seven-member Retirement Board is comprised of two City employees from different departments who are members of the Plan, one retired plan member, and four members of the public appointed by City Council.

[S]MC 2.08.1010]

The Retirement Board may make and enforce reasonable rules and regulations for the administration, management, and control of the Retirement Plan and fund, subject to the provisions of the San José Municipal Code and the Charter of the City of San José. In addition, professional investment advisors may be retained, as needed, to assist the Board in setting and implementing investment policies for the retirement fund.

[S]MC 3.28.140, 3.28.310 & 3.28.100]

The Retirement Board must keep all necessary records for the Plan including the following:

- Member's contributions,
- City's contributions,
- The investment and disposition of the money in the plan, and
- The names of all persons receiving benefits under the retirement system, the nature of such benefits and the amounts paid to each.

[S]MC 3.28.120]

### Actuarial Evaluation

The Retirement Board must keep data for actuarial valuations of the Plan. These are statistical calculations that analyze the soundness of the Plan. An actuarial evaluation of the Plan must be conducted at least once every five years. In practice, the Board conducts a valuation every year. In addition, an actuarial experience investigation must be conducted at least once every five years. This investigation will result in a report that includes the mortality, disability, service and compensation experience of

members and persons receiving benefits. It is also the Board's practice to conduct a third-party audit of the actuarial firm every five years unless there is a change in the actuary.

The Retirement Board must keep data for actuarial valuations of this system. These are statistical calculations analyzing the soundness of this system. An actuarial investigation of this system must be conducted at least once every five years. In practice, the Board has called for an actuarial valuation every two years. This investigation results in a report that includes the mortality, service and compensation experience of members and survivors receiving benefits. The report also includes an actuarial valuation of the plan's assets and liabilities.

[S]MC 3.28.160]

Based on the actuarial investigations, valuations and determinations, the Board will adopt actuarial assumptions as they deem reasonably necessary. The Board will adopt the contribution rates for the members and the City as it determines reasonably necessary to supply the benefits provided for in this retirement plan.

[3.28.200]

## **Board Meetings**

The Retirement Board holds regular monthly meetings on the third Thursday of each month at 8:30 a.m., except July, the Board does not meet in July. Please visit [www.sjretirement.com](http://www.sjretirement.com), or contact ORS to verify the dates, times and location of the Board meetings. There is a section of the Board agenda for Public Comments. You may attend the Board meeting and address the Board during this time.

You may also watch the meetings online at [www.sjretirement.com](http://www.sjretirement.com). In the upper right-hand corner of the page is a link to upcoming board meetings. From there you will be taken to a page with a link watch the meeting live.

## **Hearings**

The Retirement Board has the discretion to hold a hearing to determine any question involving any right, benefit or obligation of the retirement system. Any applicant for any benefits may file an application for rehearing of his/her application for benefits within 30 days after written notice of the determination of the Board has been sent by mail to the applicant or to the applicant's attorney. The request for rehearing must be based on any of the following grounds:

- That the Retirement Board acted without and in excess of its powers,
- That the order, decision or award was procured by fraud,
- That the evidence does not justify the determination of the Board, and/or



- That the applicant has discovered new evidence material to him or her that he or she could not with reasonable diligence have discovered or procured at the hearing.

The Board will make a determination on an application for rehearing within sixty days from the date the application was filed.

[S]MC 3.28.240]

## Chapter 3: Membership

This chapter explains the eligibility requirements for membership in the retirement plan, criteria for termination of membership and members' responsibilities.

### Eligible Employees

The Tier 1 retirement plan became effective on July 1, 1975, and applies to full-time and some qualified part-time employees who were hired on or before September 29, 2012.

Eligible Tier 1 employees who leave City service who do not take a return of contribution, and are later re-hired, may elect Tier 1 status. [S]MC 3.28.030.28 B.1.]

Employees hired by the City after employment with a CalPERS or a CalPERS reciprocal agency may be placed in Tier 1 Classic regardless of City hiring date if they are a "Classic" employee under the Public Employees Pension Reform Act (PEPRA). A "Classic" employee is one who first established membership in a CalPERS or a CalPERS reciprocal agency prior to January 1, 2013. To qualify for Tier 1 Classic, employees must also meet all the requirements of reciprocity as described in Chapter 18: Reciprocity of this handbook. Employees who established membership in CalPERS or a CalPERS reciprocal agency on or after January 1, 2013, are considered "new" employees and will not be placed in Tier 1 Classic if hired by the City after September 29, 2012.

[S]MC 3.28.030.28.B.2 & 3.28.030.32]

### Ineligible Employees

The following classes of employees are not qualified for membership in the retirement system:

- Mayor
- City Council members
- Elected or appointed members of any City Board or commission
- Actively employed, current members of any other retirement or pension system supported by any federal, state or local government or government agency
- Persons employed to perform services required because of an emergency
- Persons employed in relief or anti-poverty programs
- Police and Firefighter recruits
- Temporary employees
- Contract employees
- Volunteer workers
- Emergency appointees in time of war or national emergency

- Persons hired as part-time employees on or after July 1, 1975
- Persons covered by the Police & Fire Department Retirement Plan
- Persons covered by the deferred compensation plan established by Chapter 3.50 of this Code

[SJMC 3.28.460-560 and 3.28.620]

## Special Membership Qualifications

### Part-Time Employees

Part-time employees are eligible to join the retirement system **only under the following conditions:**

- If the employee was initially hired as a full-time employee and became a member of the Plan, and later become a part-time employee **without a break in service.** [SJMC 3.28.560]
- If the employee was a member of the Chapter 3.24 (pre-1975) retirement system, the employee automatically became a member of this system on the day it took effect, July 1, 1975. [SJMC 3.28.400]
- If the employee was **not** a member of the Chapter 3.24 retirement system but took advantage of the one-time option to become a member of this retirement system by filing a written statement with the Retirement Board by August 31, 1975. [SJMC 3.28.440(B)]

### Former Chapter 3.24 Members

The retirement system before July 1, 1975, is called the Chapter 3.24 System. If you were a member of the Chapter 3.24 System, you could have become a member of current Tier 1 plan in the following ways:

- Actively employed members of the old Chapter 3.24 retirement system on June 30, 1975, who were still employed in their same position on July 1, 1975, automatically became a member of this Chapter 3.28 system on July 1, 1975. [SJMC3.28.400]
- Retired member under Chapter 3.24 who cancelled their retirement allowance and benefits and were reinstated into City service after July 1, 1975, became members of this system. [SJMC 3.28.410, 420]
- Former employees who left City service, retained membership in the Chapter 3.24 system after June 30, 1975, and then reentered City service, became members of the Chapter 3.28 system, and their membership in the Chapter 3.24 system was automatically terminated. [SJMC 3.28.430]

Once you became a member of this system, all of your rights under the Chapter 3.24 system were terminated, and you were provided with the rights and benefits of this Chapter 3.28 system. [SJMC 3.28.400]

### **Former Employees of City Health Department or Communications Division**

Special provisions may apply to former employees of the City health department and former employees of the city communications division as of July 1, 1968. Please contact ORS for more information. [SJMC 3.28.1060]

## **Termination of Membership**

Membership in the retirement system lasts until:

- Death before retirement;
- Resignation, discharge or layoff from City service; or
- A leave of absence found by the Retirement Board to have resulted in permanent discontinuance of service.

[SJMC 3.28.570]

Persons leaving City service with at least five years of service credit, or persons who qualify for reciprocity described in Chapter 18: Reciprocity, may elect to remain members of the retirement system. The election to remain a member must be made no later than 90 days after the date of notice of the right to make such election is mailed to the member after termination of employment. If a member is entitled to credit for less than 20 years of service, failure to make such election within said 90 days will be deemed to be an irrevocable election to terminate membership in the system. If the member is entitled to 20 years or more of service, failure to make such election within said 90 days shall be deemed to be an election to continue membership in the system.

[SJMC 3.28.590]

## **Members' Responsibilities**

### **Active & Deferred Vested Members Beneficiary Designation**

Members are responsible for keeping their beneficiary designation information current. A beneficiary designation form can be found on the ORS website ([www.sjretirement.com](http://www.sjretirement.com)) either in your Member Portal or in the "Forms and Publications" section. Either method requires a wet signature copy to be returned to the Office of Retirement Services or uploaded through the Member Portal.

### **Change of Name and/or Address**

Active members (current employees) must maintain up-to-date name and address information in the City's Human Resources Information System (eWay). Contact the Human Resources Department for information on updating your name and address in eWay.

Retirees and former members who have contributions on deposit (Deferred Vested) must maintain updated name and address information by submitting a “Change of Name and/or Address Form” to the Office of Retirement Services. These forms and all other forms can be found on the ORS website ([www.sjretirement.com](http://www.sjretirement.com)) either in your Member Portal or in the “Forms and Publications” section. Either method requires a wet signature copy to be returned to the Office of Retirement Services or uploaded through the Member Portal.

### **Retiree Change of Family Status and/or Beneficiaries**

You must notify ORS if any change takes place in your family status (marriage/domestic partnership, divorce, adoption, birth or death in the family) and provide copies of the appropriate documents. If necessary, you should also update your beneficiary designations. The beneficiary form is available under “Forms and Publications” and then “Federated” on the Office of Retirement Services website ([www.sjretirement.com](http://www.sjretirement.com)). Be sure to select the appropriate beneficiary form for Federated retirees, for your specific Tier OR in your Member Portal. Either method requires a wet signature copy to be returned to the Office of Retirement Services or uploaded through the Member Portal.

### **Necessary Documentation for Changes in Family Status**

Following is a list of the documents that must be submitted along with any applicable ORS forms related to the various scenarios referred to below. Retirees are not allowed to add any post-retirement spouse or domestic partner to pension benefits or medical benefits (if applicable).

#### **Marriage – Active or Deferred Vested Members Only**

- A copy of your Certified Marriage License which has been filed with the county in which you were married, and
- A copy of your new spouse’s birth certificate.

#### **Domestic Partnership\*– Active or Deferred Vested Members Only**

- A copy of your Domestic Partnership Certificate, and
- A Declaration of Domestic Partnership (notarized).

**\*Note: For your domestic partner to be eligible for a survivorship after your death, you must register your domestic partnership in California or other eligible state prior to your retirement. If you are registering your domestic partnership in a different state than California, please contact Retirement Services to be sure the state of registration qualifies under the Plan.**

#### **Divorce**

You must provide a copy of the full divorce stipulation identifying the community property settlement. It must very clearly address the community

property interest in your pension. This document is usually referred to as the Judgment of Dissolution with a Marital Settlement Agreement attached.

If your pension is being divided, you must also provide the filed Plan Approved Domestic Relations Order (PADRO) with a copy of your Judgment of Dissolution. If you or your attorney need more detailed information on PADRO's, please see Chapter 20: Dissolution of Marriage or Domestic Partnership. You can access the *Guidelines for Plan Approved Domestic Relations Orders*, which will guide you and your attorney through the PADRO process, at [www.sjretirement.com](http://www.sjretirement.com).

**Birth, Adoption, or Legal Guardianship of a Child**

- Copy of your new child's birth certificate; or
- Legal Documentation of the Adoption or Guardianship.

**Death of Family Member Entitled to Retirement Benefits**

- Copy of the certified death certificate for that family member.

Active employees should submit information regarding the above-mentioned changes of status to Human Resources Department and Retirement Services. Retirees and former members who left their contributions on deposit should notify Retirement Services of any changes in family status. Notification should be given within 30 days of the event.

**Member's Responsibility to Prove Claims**

Any person who applies for any allowance or benefit under this Retirement Plan has the burden of proving all the facts, circumstances and conditions that must be established to entitle such person to the allowance or benefit. Examples of proof that will be required includes the following:

- A copy of your birth certificate to verify your age which is used to determine eligibility for retirement. Please note we will accept a copy of your valid United States (U.S.) Passport if you were born outside of the U.S.
- A copy of your marriage license to verify that you are married and who is entitled to spousal benefits such as health benefits and survivorship payments upon your death.
- A copy of your spouse's birth certificate to verify your spouse's age which is a factor in calculating your retirement benefit optional settlements. Please note we will accept a copy of your spouse's valid U.S. Passport if your spouse was born outside of the U.S.
- A copy of your dependent children's birth certificate to verify their age and to verify that they are entitled to benefits such as health and survivorship payments upon your death.

- A copy of your divorce related documents to verify how the community property interest in your pension has been addressed.

## Chapter 4: Contributions

This chapter discusses the contributions that both you and the City make to the retirement system. The contribution rates are the percentages of your salary that you and the City each pay into the retirement system. Your contributions are made through payroll deductions. The Retirement Board sets and from time to time changes the rates of contribution necessary to make the retirement system actuarially sound. This ensures that the retirement system will have sufficient funds to provide for your retirement benefits. The Board's determination is based on actuarial studies of the retirement fund's projected benefit costs and expected fund earnings. Contribution rates are changed after periodic actuarial reviews. The Board makes a recommendation to the City Council regarding contribution rates.

[S]MC 3.28.200 and 3.28.230]

The contribution ratio is the ratio between the portion of total contributions the City pays and the portion of contributions you pay. The contribution ratio for the normal costs of the Tier 1 plan is eight to three: for every \$8.00 paid by the City, you pay \$3.00. Other contributions, such as contributions attributable to cost-of-living adjustments, prior service, and health insurance, have their own contribution ratios.

[S]MC 3.28.700-755, 3.28.860 & 3.44.100]

**Note:** Effective December 22, 2013, employee contributions made for retiree healthcare are placed into a separate account exclusively for retiree healthcare. This account is called the 115 Trust.

[S]MC 3.52.010 - 3.52.760]

### Record of Contributions

Although all contributions to the retirement system are kept together in the retirement fund, a record is kept of your contributions, and your contributions are credited to your individual "account." Your "accumulated contributions" represents the total of all your contributions to the retirement system.

[S]MC 3.28.770]

Retirement Services distributes annual notices to members documenting their retirement service credit, contributions to the plan, and interest earned on contributions.

### Social Security

City employees do not contribute to the Social Security system and do not receive Social Security credit for their City service. You may still be eligible for Social Security



benefits if you were previously employed by some other institution or company that did contribute to Social Security. Refer to Chapter 22: Social Security for more information.

For more information on social security benefits, visit the Social Security Administration website at [www.ssa.gov](http://www.ssa.gov).

## **Medicare**

The Medicare portion of Social Security (FICA) tax is withheld from payroll checks of employees hired after March 31, 1986. Refer to Chapter 14: Medical and Dental Benefits for information on Medicare plans offered through ORS.

For more information on Medicare, visit the Social Security Administration website at [www.medicare.gov](http://www.medicare.gov).

## **Tax Treatment of Contributions**

Starting in April 1987, your contributions to the retirement plan are paid with pre-tax dollars, reducing your taxable income. Prior to April 1987, your contributions were paid into the plan with after-tax dollars. Because they were made with after-tax dollars, contributions made to the retirement plan before April 1987 will not be subject to additional taxation when they are withdrawn. If you receive a retirement allowance, the after-tax contributions you made prior to April 1987 are prorated over your life expectancy as a tax-free portion of your pension.

[S]MC 3.28.765]

## **Contributions During Military Service**

If, on or after July 1, 1975 and ending November 23, 2013, you took a leave of absence without pay, in order to serve in the military during a time of war or national emergency, or if you are drafted in peacetime, the City will make its contributions, plus the contributions you would have been making if you were not on leave, into the retirement system on your behalf when you return to City service. The contributions made by the City will be for the time period that you are on leave. You must return to City employment within six (6) months of the end of your military service to receive this benefit.

Effective November 24, 2013, members of the Federated Plan on military leave and receiving optional supplemental pay are required to pay their share of retirement contributions in order to receive service credit for the purpose of determining the amount of retirement benefits. Any military contributions must be made before the member's retirement. Voluntary contributions can be made for all or part of a member's qualified military service time. The member making voluntary contributions for only part of the member's qualified military service time would

receive credit towards calculating retirement benefits only to the extent of the actual time for which contributions have been made.

If you are absent on military service, you may request a return of your contributions. However, this would terminate your membership in the retirement system, and neither you nor your spouse/domestic partner or children would have any rights under the retirement system.

[S]MC 3.28.630]

Refer to City Administrative Policy Manual [4.2.2 Military Leave](#) for more information.

### **Contributions During Absence due to Service Connected Injury**

If you are absent from City service due to an injury or illness that is determined to have arisen out of and in the course of your employment, and you are not receiving pay during your absence, you have the option of contributing the same amount of contributions that you would have contributed if you were working during that period. You will then be given retirement service credit for that time. If you do not make the retirement contributions during an absence, that time will still count towards meeting any minimum service requirements for benefits but will not count towards the calculation of your benefits. This benefit does not apply to part-time employees.

[S]MC 3.28.640]

### **Withdrawal of Contributions**

You may not withdraw your contributions from the retirement system unless your membership in the system is terminated. Termination of your membership may be because of voluntary resignation, termination, or death.

[3.28.590(E)]

### **Ceasing Member Contributions**

Upon attainment of at least thirty (30) years of service credit by an eligible Tier 1 member in this System, normal contributions described in Section 3.28.700 shall not be deducted from the member's monthly or bi-weekly compensation. Eligible members are those employees who are in positions assigned to an unrepresented employee unit or a represented bargaining unit that has agreed to the provisions in this Section 3.28.725 and has been approved by the City Council.

Members shall continue to make all other member contributions that would otherwise be required under this Chapter 3.28 without regard to this provision.

The City shall continue make all contributions that would otherwise be required under this Chapter 3.28 without regard to this provision. The City shall also make the normal contributions described in Section 3.28.700 that would have been deducted from an eligible member's monthly or bi-weekly compensation but for subsection A. of this Section 3.28.725, at the same time and in the same manner as the City makes other normal contributions described in Section 3.28.850 or Section 3.28.940 in the event the City has elected a lump sum payment of the City's contributions to the retirement fund.

[3.28.725]

## Chapter 5: Benefit Eligibility Requirements

Tier 1 members of the Federated City Employees' Retirement System become eligible to receive benefits according to the following schedule:

<b>Benefit</b>	<b>Minimum Age</b>	<b>Minimum Service Credit</b>
Service Retirement (Age) [S]MC 3.28.1110(A)(1)]	55	5 years
Service Retirement (Years of Service) [S]MC 3.28.1110(A)(2)]	None	30 years
Deferred Vested Retirement* [S]MC 3.28.590(B)(1) & 3.28.1110(A)(1)]	55	5 years
Service Connected Disability Retirement** [S]MC 3.28.1200 – 3.28.1270]	None	None
Non-Service Connected Disability Retirement** [S]MC 3.28.1290]	None	5 years

\*Deferred vested retirement applies to members who separate from City service before retirement and leave their contributions in the retirement system.

\*\*Disability retirement requires Board approval.

## Chapter 6: Service Retirement

This chapter explains the eligibility requirements and benefits of service retirements for members who retire directly from active City service. If you leave City service and qualify to retire later, please refer to Chapter 15: Separation from City Service Prior to Retirement (Deferred Vested).

Classic members, please refer to Chapter 18: Reciprocity for additional retirement requirements. As a reminder, benefit calculations for your Federated pension are based only on the years of service earned in the City of San José Federated City Employees' Retirement System.

### Eligibility Requirements and Retirement Allowance Calculation

Benefit	Minimum Age	Minimum Service Credit	Retirement Allowance Calculation
Service Retirement [S]MC 3.28.1110(A)(1)]	55	5 years	2.5% x Years of Service x Final Compensation (75% max)
Service Retirement [S]MC 3.28.1110(A)(2)]	Tier 1: None  Classic & Reciprocal members require minimum age 50	30 years	2.5% x Years of Service x Final Compensation (75% max)
Deferred Vested Retirement* [S]MC 3.28.590, 3.28.1110, 3.28.030.11]	55	5 years	2.5% x Years of Service x Final Compensation (75% max) -If separated prior to July 1, 2001, Final Compensation is highest average monthly salary during 36 consecutive months. -If separated on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months.

\*Deferred vested retirement applies to members who separate from City service before retirement, leave their contributions in the retirement system, and are eligible for a pension benefit.

## Service Retirement Allowance Calculation

The formula used to determine your monthly service retirement allowance is:

$$\text{Years of Service} \times 2.5\% \times \text{Final Compensation}$$

Note: The years of service used to calculate your retirement allowance is service credit earned while a member of this retirement system only. It does not include service credit earned at a reciprocal agency.

[S]MC 3.28.1110(B)]

For example, if you leave City service with 25 years of retirement service credit and your final compensation is \$3,000 per month, your monthly benefit would be:

$$25 \text{ Years of Service} \times 2.5\% \times \$3,000 \text{ Final Compensation} = \$1,875 \text{ Monthly Benefit}$$

## Retirement Allowance Limitation

In no case will any retiree receive a retirement allowance in excess of 75% of his or her final compensation. Your benefit reaches 75% of final compensation at 30 years of service.

If you continue your employment with the City after earning 30 years of service, you will not earn additional service credit beyond 75%, however, the Final Compensation used to calculate your retirement allowance will be based on your highest earnings, even if your highest earnings occur after you reach 30 years of service credit.

[S]MC 3.28.1110(C)]

## Reemployment of Retired Member

If a person who has been retired for service is retained or reemployed by the City, other than as an independent contractor or limited re-employment of retired person (retiree rehire), to render any service which is not Federated City service, said person's service retirement allowance shall be suspended as of the effective date of such reemployment and shall remain suspended while the person is retained or reemployed to perform such service. Upon cessation of such reemployment, the person's service retirement allowance shall be reinstated.

The provisions of this section shall not apply to the election or appointment of any retired person to the City Council or to any board or commission of the City.

[S]MC 3.28.1180]

## Limited Reemployment of Retired Person (Rehire Retiree)

A person who has been retired under this System, for service or disability, may be employed by the City to perform City service on a temporary basis without reinstatement from retirement where the employment does not exceed one hundred twenty (120) working days or nine hundred sixty (960) hours, whichever is greater, in any payroll calendar year. For the purposes of this provision, "payroll calendar year" means the twelve-month period commencing on the first day of the first pay period for active City employees.

### Reemployment Requirements:

1. The procedures for the employment of a retired person under this Section shall be in accordance with the procedures set forth in the City Administrative Policy Manual.
2. The employment of a person pursuant to this Section shall not operate to reinstate the person as a member of this System. The person shall not earn service credit in this System for any period of such reemployment, nor shall either the person or the City make any contributions to this System on account of such employment.
3. The employment of a person pursuant to this Section shall not operate to terminate or suspend the retirement allowance otherwise payable to such person.
4. A person employed pursuant to this Section shall not be entitled to a disability retirement from the position in which the person is reemployed.
5. If the Internal Revenue Service determines that a reemployment program such as that described in this Section cannot be implemented without placing a retirement system out of conformity with the qualified plan requirements of the Internal Revenue Code (Title 26 of the United States Code), this Section shall become inoperative and any employment of a person pursuant to this Section shall be terminated immediately.

Please refer to [City Policy Manual Chapter 3.1.5 Reemployment of Retirees](#) for more information. The City Policy Manual can be found on the City of San José website, [www.sanjoseca.gov](http://www.sanjoseca.gov).

[S]MC 3.28.1190]

## Chapter 7: Applying for Service Retirement

This chapter covers the processes for retirement application and retirement. When you apply for a service retirement, it is recommended that you submit your retirement application three months prior to your retirement date. When you become eligible to retire, you may pick any retirement date you would like; however, it is generally best to select a retirement date at the end of a pay period. A date at the end of a pay period usually avoids any timecard and partial active pay issues. Please keep in mind the following factors when selecting a retirement date:

- Your retirement date cannot be earlier than the date your retirement application is received and date-stamped by Retirement Services.
- No active paid hours should be recorded on your timecard on or after your retirement date. If active hours are posted on or after your retirement date, it may delay your first pension payment.
- If you are an Exception Time Reporter who will retire at the end of a pay period, please arrange with your timekeepers to take you off Exception Time Reporting right after your last pay period to ensure that you do not inadvertently get paid after your retirement date. If active hours are posted on or after your retirement date, it may delay your first pension payment.
- For Exception Time Reporters who do not retire at the end of a pay period, please arrange for your timekeepers to take you off Exception Time Reporting for your last pay period so they can manually input the hours that you actually work in your final pay period. If active hours are posted on or after your retirement date, it may delay your first pension payment.
- As an active employee, your insurance premiums are deducted from your first and second paychecks of each month. If you select a retirement date that is before the time the second insurance payment is to be deducted from your active payroll check, you will be billed directly by Human Resources for the second insurance payment. Please note that payment for insurance premiums owed to the City will not be deducted from your retirement check.

### Filing a Retirement Application

You do not have to meet with a staff member from Retirement Services to submit your Retirement Application. The Retirement Application, which includes a list of required documents, is located on our website [www.sjretirement.com](http://www.sjretirement.com) under “FORMS”. The following documents should be turned in with your Retirement Application:

- Birth Certificate(s):
  - Certified Copy of your birth certificate
  - Certified Copy of your spouse or domestic partner’s birth certificate, if applicable



- Certified Copies of any dependent children's birth certificates, if they're enrolling in health insurance(s); and
- Adoption or Legal Guardianship paperwork, if they're enrolling in health insurance(s).
- Certified Copy of your Marriage Certificate, if applicable;
- Domestic Partnership Certificate & Declaration of Domestic Partnership (notarized), if applicable; and
- If applicable, a copy of the Judgment of Dissolution of Marriage and the Marital Settlement Agreement, for all divorce(s) that took place while you were an employee of the City. These Documents must clearly address your pension benefits.

Although we will accept a retirement application up to the day before your effective retirement date, please remember that you cannot receive retirement benefits until:

- Your application has been approved by the Retirement Board; and
- All required document(s) are properly completed and received in our office.
  - Divorce documents will be reviewed to ensure that the language in the Settlement Agreement complies with the provisions of the Plan. Please see Chapter 20: Dissolution of Marriage or Domestic Partnership on Divorce and Plan-Approved Domestic Relations Orders.

## Retirement Process

Once your application is received by Retirement Services, the following occurs:

- If you're a current employee, ORS will notify your department that you have submitted an application for retirement.
- You will be assigned a Pension Analyst who will:
  - Send you the required Forms that we need to verify eligibility and complete the retirement set-up process;
  - Send you an estimate of your retirement benefit;
    - Please note that you can run a benefit estimate for yourself anytime on our website [www.sjretirement.com](http://www.sjretirement.com) under "Member Portal Login." You will need to setup a Member Direct account.
  - Schedule you for a Group Counseling Session. During Group Counseling, a Pension Analyst will review required retirement forms, answer your questions, and witness your signature on documents as needed. Your spouse is welcome to attend Group Counseling with you.
    - It is strongly recommended that you review the materials sent to you prior to attending the Group Counseling Sessions so you can prepare questions which address your specific circumstances.
  - Place your application on the Board Agenda for approval (your attendance at the meeting is not required). The Board must approve your retirement before we can issue your retirement benefits;

- Submit your Notice of Separation to your department;
  - Review your documents for completeness; and
  - Coordinate reciprocity, if necessary.
- Your Benefits Analyst will verify that all documentation has been received and your application is complete. It's important that you respond timely to requests from your Benefits Analyst as delays may impact the timing of your first pension payment.

Please note that your retirement check is issued only once a month, on the last business day of the month. Therefore, because one to two months may pass before you receive your first retirement check; it would be prudent to plan for that period of time without pay.

## Chapter 8: Disability Retirement

This chapter covers eligibility requirements for disability retirement, types of disability retirement and the associated benefits of each type. Various other scenarios and considerations related to disability retirement are also discussed.

Classic members, please contact your prior agency for their process and their benefit calculation when applying for a disability retirement with San José. In addition, all benefit calculations for San José are based only on the years of service earned in the City of San José Federated City Employees' Retirement System.

[3.28.610(A)]

### Eligibility

If you are disabled, a disability retirement may be granted if:

- Your disability is of permanent or extended and uncertain duration;
- Your disability occurred while you were an employee of the City and a member of the Federated Retirement System;
- Your disability, due to injury or disease, renders you physically or mentally incapable of continuing to satisfactorily assume the responsibilities and perform the duties of your position and of any other position in the same classification of positions to which the City may offer to transfer you.

The determination of disability is made by the Retirement Board on the basis of competent medical opinion.

[S]MC 3.28.1210]

### Situations Where Member Is Not Eligible for a Disability Retirement

You do **NOT** qualify for any type of disability retirement if:

- You became disabled before you were a member of this retirement system;
- You become disabled after your membership in this retirement system is terminated or you are no longer a City employee;
- You become disabled during a leave of absence from City service, unless you are on leave with full compensation or pay;
- You become disabled due to a non-service connected injury or illness and you have less than five years of service credit in the retirement system.
- You have separated from City service for four (4) months or more as of the date your application for disability retirement is filed with the secretary to the Board; or has not been continuous since the date of separation.

- Further, upon establishment of an Independent Medical Panel, pursuant to 3.28.030.29 and 3.28.150, the following criteria will disqualify you for any type of disability retirement:
  - i. You became disabled before you were a member of this retirement system;
  - ii. You become disabled after your membership in this retirement system is terminated or you are no longer a City employee;
  - iii. You become disabled during a leave of absence from City service, unless you are on leave with full compensation or pay;
  - iv. You become disabled due to a non-service connected injury or illness and you have less than five years of service credit in the retirement system.
  - v. You have separate from City service and you have been separated from city service for one (1) month or more as of the date your application for disability retirement is filed with the secretary to the board; OR
  - vi. Medical documents are not submitted within one (1) year since separation from City service, unless granted an exception from the medical panel; OR
  - vii. Applicant deferral exceeds four (4) years from application date, unless the independent medical panel finds the existence of extenuating circumstances and grants an exception upon that basis.

[S]MC 3.28.1240; 3.28.1250; 3.28.1420 & 3.28.1290(A)]

## Service-Connected and Non-Service-Connected Disability

There are two types of disability retirements:

- 1. Service Connected Disability:** Your disability is considered service-connected if it results from injury or disease arising out of, and in the course of, City employment while a member of the Retirement System.
- 2. Non-Service Connected Disability:** Your disability is non-service-connected if it is not job related.

[S]MC 3.28.1210(C) & 3.28.1210(B)]

## Disability Retirement Benefit Chart

Retirement Disability Type	Minimum Service Required	Benefit
<b>Service Connected</b> [S]MC 3.28.1280]	None	40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of final compensation)
<b>Non-Service-Connected</b> [S]MC 3.28.1300]	5 Years	<p>40% of Final Compensation plus 2.5% x Years of Service in excess of 16 years x Final Compensation (Maximum 75% of final compensation). If under 55 years old, subtract 0.5% for every year under 55.</p> <p><u>For those entering the System 9/1/98 or later, the calculation is as follows:</u>  20% of Final Compensation for up to 6 years of service. Add 2% for each year of service in excess of 6 years but less than 16 years. Add 2.5% for each year of service in excess of 16 years of service. (Maximum 75% of final compensation)</p>

## Disability Retirement Allowance

### Members Are Not Eligible to Receive Both Service and Disability Retirement Benefits

In no case may you receive both service retirement and disability retirement benefits.  
[S]MC 3.28.1360]

### Disability Allowance Versus Contributions

Your disability benefits are not restricted to the amount of your contributions. However, the amount that you have received as a disability allowance will be deducted from your accumulated contributions. This provision may be important if you or your estate at some point becomes eligible for a return of your contributions.  
[S]MC 3.28.1430]

### Service-Connected Disability Retirement Allowance

Your monthly allowance for a service-connected disability retirement is calculated using the same formula as for a service retirement allowance:

$$\text{Years of Service} \times 2.5\% \times \text{Final Compensation}$$

For example, if you are approved for a Service-Connected Disability and have 20 years of City service and your final compensation was \$5,000 per month, your monthly benefit would be:

$$20 \text{ years of service} \times 2.5\% \times \$5,000 \text{ Final Compensation} = \$2,500 \text{ Monthly Benefit}$$

In any case, your base retirement allowance will be at least forty percent (40%) of your final compensation. For example, if you are approved for a Service-Connected Disability and have 10 years of City service, you would be eligible for 25% of your final compensation if it was based on service years (10 years  $\times$  2.5% = 25%). However, since this is less than the minimum of 40% for a service-connected disability, your benefit will be increased to 40% of final compensation. Your maximum retirement allowance cannot be more than seventy-five percent (75%) of your final compensation.

[S]MC 3.28.1280]

**Note:** For those with a Separate Account Domestic Relation Orders (SADRO), please refer to the Chapter 20: Dissolution of Marriage or Domestic Partnership for a discussion on how your service-connect disability retirement benefit may be impacted. [3.28.2770]

### **Non-Service Connected Disability Retirement Allowance**

To qualify for non-service connected disability retirement, you must have five years or more of retirement service credit. [S]MC 3.28.1290]

If approved by the Board for a non-service-connected disability, your retirement allowance will be calculated as described below.

#### HIRED PRIOR TO SEPTEMBER 1, 1998

If you were hired by the City prior to September 1, 1998, your monthly allowance will be calculated using the following formula:

Years of Service  $\times$  2.5%  $\times$  Final Compensation minus offset if under age 55

Before any offset for age, your base retirement allowance will be at least forty percent (40%), but not more than seventy-five percent (75%), of your final compensation.

#### HIRED ON OR AFTER SEPTEMBER 1, 1998:

If you were hired to the City on or after September 1, 1998, your monthly allowance will be calculated using the following formula:

20%  $\times$  Final Compensation, plus 2% for each year of service in excess of 6, but less than 16, plus 2.5% for years of service in excess of 16

For example, if you were hired on or after September 1, 1998, and you had twenty (20) years of service and your final compensation is \$5,000 per month, then your monthly non-service connected disability retirement allowance would be \$2,500 per month:

$20\% \text{ base amount} + (10 \text{ years} \times 2\%) + (4 \text{ years} \times 2.5\%) = 50\% \times \text{Final Compensation}$

$\$5,000 \text{ Final Compensation} \times 50\% = \$2,500 \text{ monthly allowance}$

[SJMC 3.28.1300]

### **Under Age 55 Offset**

If you are under 55 years of age, the percentage of your final compensation (at least 40%) will be offset by one-half percent (0.5%) per year for each year (and/or fraction of years) that you are under age 55.

For example, if you were 50 years of age with 40% of your final compensation, you would receive 37.5% of your final compensation with the offset:

$0.5\% \text{ reduction} \times 5 \text{ years} = 2.5\% \text{ total reduction}$   
 $40\% \text{ base} - 2.5\% \text{ reduction} = 37.5\% \text{ adjusted percentage of final compensation}$

[SJMC 3.28.1300]

## **Workers' Compensation Offset**

The intent of the Workers' Compensation Offset is to ensure that the combined benefits from workers' compensation and service-connected disability retirement are not excessive.

If you receive both a service-connected disability retirement allowance and a workers' compensation benefit for the same period and same disability, then your service-connected disability retirement allowance may be reduced. Workers' Compensation benefits that result in a reduction of your retirement allowance are benefits paid for temporary disability, permanent disability, or vocational rehabilitation. Compensation for attorney and medical fees are not subject to the offset.

### **Exceptions to Workers' Compensation Offsets**

Workers' Compensation Offsets are not applied in the following circumstances:

- The offset will be in effect only during such times as concurrent retirement allowances and workers' compensation benefits are paid. In the case of the payment of a lump sum workers' compensation benefit (excluding payments for medical treatment), the offset will apply only for such period as concurrent payments would have been made had the workers' compensation benefit been paid in installments.

- No offset will be made for retirees who receive a permanent disability rating of 100%.
- No offset will be made for workers' compensation benefits paid for any injury or illness which did not cause or contribute to the disability for which the service-connected disability retirement was granted (as approved by the Board).

[S]MC 3.28.1040 (B)]

### **Workers' Compensation Offset Calculations**

Your service-connected disability benefit is offset by a portion of your workers' compensation benefit. To calculate the offset amount, your workers' compensation benefit (excluding attorney and medical fees) is converted to a monthly equivalent and then multiplied by the offset ratio. The offset ratio is the ratio of City's contributions to total contributions made to the plan. The offset calculation is described in further detail below.

To determine the offset amount, first the offset ratio is calculated by dividing the City's contributions by the total contributions (City's contributions plus member's contributions).

$$\text{Offset Ratio} = \frac{\text{City's contributions made during member's employment}}{\text{City's plus member's contributions made during the member's employment}}$$

For example, if the City's contributions are \$70.00 and the member's contributions are \$30.00, the ratio would be \$70.00 (City's contributions) divided by \$100.00 (City's contributions [\$70.00] plus member's contributions [\$30.00]) or 70.00%.

Next, your workers' compensation benefit is converted to a monthly rate. To make the conversion, the worker's compensation benefit is first converted to an annual rate and then divided by 12.

For example, if you receive \$150 per week for workers' compensation benefits over the course of a year, the annual amount is \$7,800 (\$150 x 52 weeks) and the monthly amount is \$650 (\$7,800 divided by 12 months).

To calculate the offset amount, the offset ratio is then applied to the workers' compensation benefit. In our example, the offset amount would be \$455.00, the monthly workers' compensation amount (\$650) multiplied by the offset ratio (70.00%).

$$\$650 \times 70.00\% = \$455.00 \text{ offset per month}$$

The offset amount is then subtracted from your monthly service-connected disability benefit. Following our example, if your monthly service-connected disability benefit



is \$3,000, it would be reduced by \$455.00 (the offset amount) for a net monthly benefit of \$2,545.00 (\$3,000 monthly benefit minus \$455.00 offset amount).

Retirement allowance:	\$3,000.00
Workers Compensation offset amount:	<u>\$ (455.00)</u>
Adjusted retirement allowance	\$ 2,545.00

### **Lump Sum Workers' Compensation Benefits**

If you receive a lump sum benefit from Workers' Compensation rather than weekly payments, the lump sum amount will be converted into a monthly amount that would have been allowed if the lump sum had been monthly payments. The offset ratio described in the "Workers' Compensation Offset Calculations" above will be applied to the lump sum amount (excluding payments for attorney's fees and medical treatment) when calculating the offset amount. Once the monthly offset amount is calculated, it's applied to months where you would have received both a workers' compensation benefit and concurrent service-connected disability retirement payment. This calculation is described in further detail below.

To determine the offset amount for lump sum workers' compensation benefits, first the offset ratio is applied to the lump sum workers' compensation benefit. For example, if you receive a lump sum benefit of \$20,000 and the offset ratio is 70.00%, the offset amount would be \$14,000 (\$20,000 x 70.00%).

Then, the offset is converted to monthly payments for the period that workers' compensation payments would have been made if paid in installments. Continuing our example, if the lump sum benefit covers a period of 3 years (36 months), then the monthly offset amount is \$388.89 (\$14,000 divided by 36 months).

The offset amount is then subtracted from your monthly service-connected disability benefit for the applicable months. Following our example, if your monthly service-connected disability benefit is \$3,000, it would be reduced by \$ 388.89, the offset amount, for a net monthly benefit of \$2,611.11 (\$3,000 minus \$388.89).

In addition, if you receive a lump sum workers' compensation benefit, your service-connected disability retirement benefit will only be reduced for months in which you would have received a workers' compensation benefit. If the lump sum benefit includes months in which you were an active employee and were not receiving service-connected disability payments, your service-connected disability benefit will not be offset for those months.

### **Maximum Offset**

The offset will be applied to your service-connected disability benefit until you stop receiving concurrent workers' compensation benefits. In addition, your monthly service-connected disability benefit will not be reduced to an amount less than the sum of the maximum retired member contributions for medical, dental, life, and accidental death insurance premiums, plus one dollar. This limitation is applied

regardless of whether you enroll and contribute to these benefits. For example, if your monthly service-connected disability retirement benefit is \$3,000 and the maximum member contributions for the applicable insurance premiums is \$300, your monthly service-connected disability benefit will not be reduced to less than \$301 per month (\$300 total applicable insurance premiums plus \$1).

[S]MC 3.28.1040 (B)]

## Outside Earnings

### Reporting Requirement

If you receive a disability retirement prior to reaching age 55, and you subsequently take another job, your combined income (disability pension plus outside job) cannot exceed the current compensation earnable in the position from which you retired on disability. Compensation earnable in the position does not include non-pensionable earning such as overtime.

[S]MC 3.28.1330]

As a condition of receiving a monthly disability retirement allowance, you must submit written statements of your total income and earnings from employment outside City service during your disability retirement. These reports are required until you reach age 55.

You have two options for reporting your outside earnings: monthly statements with an annual summary, or annual reporting with a copy of your income tax returns.

### Monthly Statements and Annual Summary

Within 10 days after the end of each month, you must file a monthly statement of your total income and earnings. In addition to the monthly reports, on or before May 1<sup>st</sup> of each year, you must file a notarized declaration under penalty of perjury of your total income and earnings received during the preceding year. [S]MC 3.28.1325(B)(1)]

### Annual Reporting with Income Tax Returns

Instead of the monthly statements described above, you may choose to submit a single report of your annual income and copies of your federal and state income tax returns, including your W-2 and/or 1099 forms showing your total income. The tax returns and forms must be submitted to Retirement Services by May 1<sup>st</sup> for income earned in the previous year.

If you elect this option, you will also need to submit a written statement of your projected income and earnings by January 10<sup>th</sup> of each year. You may file an amended statement if there is a change in your projected income.

[S]MC 3.28.1325(B)(2)]

### **Termination of Benefits for Failure to File Reports**

If you fail to report your income as described above, your disability retirement allowance will be suspended until you submit the required reports. When you submit the reports, you will receive any allowances that have been withheld, less any applicable deductions. [SJMC 3.28.1325(D)]

### **Deductions for Earnings Outside of City Employment**

If your disability retirement allowances plus your outside earnings exceed the current compensation earnable of the position from which you retired, then your allowance will be reduced to the point where your total income equals that salary.

For example:

Compensation Earnable-Position From Which You Retired:	\$2,000
Disability Retirement Allowance:	<u>-\$ 800</u>
Maximum Outside Earnings:	\$1,200

In this example, if your outside earnings (as reported monthly or the monthly average from your annual projection if reported annually) are less than \$1,200, then the full retirement allowance will be paid. However, if outside earnings are more than \$1,200, then the retirement allowance will be reduced. If, for example, you earn \$1,500 in our outside job, your allowance will be reduced as follows:

Outside Earnings (monthly)	\$1,500
Maximum Outside Earnings (monthly):	<u>\$1,200</u>
Offset (monthly)	\$ 300

In this example, the retirement allowance will be reduced by \$300, from \$800 to \$500.

If your outside income itself exceeds the current base salary of the position from which you retired, then you will receive a monthly disability benefit of \$1. You will also maintain benefits such as medical, dental, and life insurance, which may require separate payments for monthly premiums.

If for any reason your allowance should have been offset and it was not, you are responsible for making up the overpayment. Any excess amount may be deducted from future allowance payments or may be collected from you directly.

Once you reach age 55, the age you would have been eligible to retire, this offset is no longer applicable. At such time, you may receive your full disability retirement allowance without deductions for outside employment.

[SJMC 3.28.1330(F)]

**Note:** If you are subject to a Workers' Compensation offset, the retirement allowance used in the above calculation will be the amount of your retirement allowance before

the offset.

## **Reemployment of Disability Retirees (Alternate Employment)**

Alternate Employment (reemployment) is a voluntary program administered by Human Resources designed to provide disabled City retirees with an opportunity to continue to work for the City in positions other than those for which they are incapacitated. You may participate in this program if:

- You have been granted a disability retirement;
- You elect in writing the opportunity for reemployment;
- You and the City agree, subject to civil service rules, regulations and requirements of the City, that you be reemployed in any position other than the position you held at retirement;
- Based on medical and physical examination, you are not incapacitated for performance of the duties of the position to which you may be appointed.

If you are reemployed on or after September 30, 2012, your disability retirement will be suspended, and you will be reinstated to membership in the Federated City Employees Retirement System - Tier 2 and any subsequent retirement allowance shall be computed under the Federated City Employees Retirement System - Tier 2 provisions. See the Federated City Employees' Retirement System - Tier 2 Retirement Handbook for more information on Tier 2 Retirement Benefits.

[S]MC 3.28.1441, 3.28.1442 & 3.28.1444]

### **Reemployment Disability Allowance**

The reemployment program, which is administered by Human Resources, offers you the opportunity to earn the greater of rate of compensation in the position which you are reemployed, or the rate of compensation you received in the position prior to your disability. If the rate of pay of the position from which you retired exceeds the compensation of your reemployment position, the City will give you a subsidy so that you will earn at least the same compensation as the position you were in prior to your disability.

For example, if the salary of your position prior to disability retirement was \$3,000 per month and your new position will pay \$2,000 per month. Your pay would be:

Reemployment Salary:	\$2,000
Credit from the City:	<u>\$1,000</u>
Monthly Income:	\$3,000 (same as before disability)

You continue to make contributions to the retirement system from your reemployment salary while in the program.

In no event will the City's subsidy exceed your total retirement allowance, including

cost-of-living increases, to which you are entitled due to your disability retirement. If the pay in your new position is equal to or more than the base pay of your former position, then you will not receive an allowance subsidy from the City.

[S]MC 3.28.1443]

### **Disability During Reemployment (Alternate Employment)**

If you again become disabled and can no longer perform the duties of your reemployment position, you have two options:

- You may resign and keep your original disability retirement allowance; or
- You may apply for a new disability retirement within 30 days of ceasing work in your reemployment position.

[3.28.1499.3]

If the Board finds that you are disabled from your new position, your new allowance will be based on:

- Your total years of service;
- Your final compensation in your reemployment position at the time you become disabled in that position; and
- Whether or not the disability is service-connected

This new allowance supersedes your original disability retirement allowance.

[S]MC 3.28. 1449.3]

### **Death Before Retirement from Reemployment (Alternate Employment)**

If you die after being reemployed under the reemployment program, but before retiring from reemployment, your survivors will be eligible for the benefits they would receive as survivors of an active City employee. [S]MC 3.28.1449.13]

### **Retirement from Reemployment (Alternate Employment)**

You may resign from your Alternate Employment position at any time and keep your original disability retirement allowance, or you may continue in your Alternate Employment position until:

- You become permanently disabled and can no longer perform the duties of your Alternate Employment position; or
- You reach age 55 and are eligible for a service retirement.

You may apply to the Retirement Board for a service retirement. Your retirement allowance would be based on your total years of service before your disability, plus your Alternate Employment years. After age 55 you have the option to resign and keep your original disability retirement allowance.

[S]MC 3.28.1449.3]

Under no circumstances will you be entitled to receive more than one retirement allowance. [S]MC 3.28.1449.4, 3.28.1449.12]

## **Reemployment into a Non-Federated Position**

If you are a disability retiree under age 55, you may be reemployed by the City, at the City's discretion, in a position that does not qualify for membership in the Federated Retirement System as long as you are not incapacitated for the duties of the new position. You will continue to receive your retirement allowance; however, your retirement allowance may be reduced if your combined income (disability pension plus outside job with the City) exceeds the current compensation earnable in the position from which you retired on disability. Refer to the section on Outside Earnings for more information.

[S]MC 3.28.1340]

## **Reinstatement to Duty After Disability Retirement**

### **Permanent Disability After Age 55**

If at age 55 you are still incapacitated to perform the duties of the position you held at the time of your disability retirement, and of any other position in the same classification of positions, you will be deemed permanently disabled. This means that you no longer will be subject to recall to duty, and your disability retirement allowance may not be canceled. [S]MC 3.28.1400]

### **Medical Exam During Disability Retirement**

Once you have received a disability retirement, the Retirement Board may at any time require you to undergo a medical examination to determine the status of your disability. [S]MC 3.28.1370]

### **Reinstatement to Duty**

If the Retirement Board determines that you have become capable of performing the duties of your position, and you are under age 55, you will be subject to reinstatement to duty. Once reinstated, you will again become a member of the system and will be entitled to credit for past service as if you had never retired. [S]MC 3.28.1380 and 3.28.1446]

### **Disability Retirement Allowance Until Reinstatement**

If the Board determines that you are no longer disabled, you will continue to receive your disability retirement allowance until the City reinstates you, or until:

- You reject an offer of reinstatement into your previous position(s) or a position in the same classification;

- You refuse or fail to report to work in your previous position or a position in the same classification when requested to do so; or
- You become unable to accept reinstatement into, or again become unable to perform the duties of your previous position, or a position in the same classification.

[S]MC 3.28.1440]

### **Refusal to Accept Reinstatement**

If you are receiving a disability retirement allowance, are subsequently found to be capable of performing the duties of your position, and are offered reinstatement, you must accept reinstatement and report for duty. If you fail to do so, all of your rights and benefits, and your survivors' right and benefits, will be terminated. [S]MC 3.28.1390]

### **Failure or Refusal to Submit to Medical Examination**

If you fail or refuse to undergo any medical exam that is required by the Retirement Board while you are receiving a disability retirement allowance, the Board may terminate your allowance. If your allowance is terminated, you will no longer have any right to restoration to duty, nor will you or any of your survivors be entitled to any allowances or benefits of this Plan.

However, if you apply for reinstatement of your disability retirement within one year of the termination of your allowance and can prove at that time that you are still disabled, the Board may reinstate your disability retirement and your allowance as of the date decided by the Board.

If you die before having your disability retirement and your allowance reinstated, your surviving spouse or surviving domestic partner or surviving children may apply to the Retirement Board for survivorship benefits or death benefits. If they can prove that your disability continued until your death, the Board may grant them survivorship or death benefits to which they would have been entitled if your disability retirement had not been terminated. They must apply for these benefits within one year from the date the Board terminated your disability retirement. No survivorship allowances or death benefits will be granted to anyone unless application is made within this one-year period.

[S]MC 3.28.1410]



## Chapter 9: Applying for a Disability Retirement

This chapter provides information on how to apply for a disability retirement and describes the disability retirement process.

### Application

In most cases, you are responsible for applying for a disability retirement. In rare circumstances, the Retirement Board may grant you a disability retirement without any request or application being made. An application for a disability retirement may be made by the following:

- Member;
- Someone authorized to apply on the member's behalf;
- Director of the member's department;
- City Manager; or
- Retirement Board.

[SJMC 3.28.1220 & 3.28.1230]

### Time Limits for Disability Retirements

The Retirement Board may only grant a disability retirement during one of the following time frames:

- While you are still employed by the City and a member of the Retirement System;
- Within one month of discontinuing City service; or
- During the continuance of the member's disability if it continues after he or she ceases to be an active member.

[SJMC 3.28.1240]

### Disability Retirement Process

To apply for a disability retirement, you must submit a Retirement Application to Retirement Services within the time limits identified in the section above. Retirement application forms are available on the Retirement Services website, [www.sjretirement.com](http://www.sjretirement.com).

After Retirement Services receives your disability retirement application, your application will be processed in accordance with the Plan's [Disability Retirement Application Rules and Procedures](#) which can be found under Retirement Planning on Retirement Services website, [www.sjretirement.com](http://www.sjretirement.com). As part of the disability retirement process, you will be required to attend an evaluation with an Independent



Medical Examiner (“IME”). If you are applying for a Non-Service Connected Disability you are required to submit all of your medical records pertaining to your disability.

Depending on your circumstances, it may take over a year to process your disability retirement application. Applicants with financial hardships or terminal illnesses are prioritized and expedited to the extent possible. If you are an active employee on a leave of absence it is important that you communicate with staff when that leave is expected to end.

## Chapter 10: Death Before Retirement

This chapter describes the benefits available to your survivors if you die while still a member of the retirement system, but **before** retirement. The level of benefits is dependent upon your years of service and whether or not your death was service-connected.

### Non-Service-Connected Death - Less Than 5 Years of Service

If, at the time of your death, you had less than five years of service credit and your death was not service-connected, your designated beneficiary or estate will receive the following benefits:

- Your accumulated employee contributions plus interest; and
- One-twelfth of your annual earned or earnable compensation (whichever is greater) during the twelve months immediately preceding your death, multiplied by the number years of service credit to which you were entitled at the time of your death. This amount may not exceed 50% of your compensation earned or compensation earnable in the twelve-month period preceding your death.

[S]MC 3.28.1500]

This death benefit is a lump sum payment, but you may elect, in writing, to have your death benefit paid to your beneficiary in a fixed number of installments. If you have not made an election, your beneficiary, after your death, may choose installment payments before any death benefit is paid.

The monthly installments will be the actuarial equivalent of the lump sum amount. The installments may be fixed in number or amount. Regular interest will be credited on the unpaid balance of the benefits payable. The payments continue until the actuarial equivalent of the total death benefit has been paid.

[S]MC 3.28.1510]

### Greater than 5 Years of Service or Service-Connected Death

This section applies if you meet the following conditions:

- You die while a member of this retirement system;
- You die prior to being retired; and
- You have more than five years of service at the time of your death or your death is determined by the Board to have been a service-connected death.

[S]MC 3.28.1470]

### **Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner**

An eligible surviving spouse or surviving domestic partner is the person to whom you were married or in a registered domestic partnership with at the time of your death and who survives your death. [SJMC 3.28.1460(E)(F)]

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will be eligible for a monthly allowance until he or she re-marries or re-registers as a domestic partner or dies, whichever comes first. (The allowance will continue even if your surviving spouse or surviving domestic partner re-marries or re-registers as a domestic partner if you are at least 55 years old with at least 20 years of retirement service credit at the time of your death or have at least 30 years of service regardless of your age). [SJMC 3.28.1480]

The monthly survivorship allowance will be calculated as follows:

Years of Service x 2.5% x Final Compensation

For example, if at the time of your death you had 20 years of City service and your final compensation was \$5,000 per month, the Surviving Spouse or Surviving Domestic Partner's Survivorship Allowance would be:

20 years x 2.5% x \$5,000 Final Compensation = \$2,500 Monthly Survivorship

If you were still an active City employee at the time of your death, the allowance will be a minimum of 40% of your final compensation, but no more than 75% of your final compensation. The 40% minimum does not apply to members who are deferred vested at the time of death.

For example, if at the time of your death you were an active employee and had 10 years of City service and your final compensation was \$5,000 per month, the Surviving Spouse or Surviving Domestic Partner's Survivorship Allowance would be:

10 years x 2.5% = 25% of Final Compensation

However, due to 40% minimum, the Total FAS will be 40%

\$5,000 x 40% = \$2,000

[SJMC 3.28.1480(A)(3)(b)]

### **Survivorship Allowance to Surviving Children if No Surviving Spouse or Surviving Domestic Partner**

No survivorship benefits are paid to your children if you have a surviving spouse or surviving domestic partner. If at the time of your death, you do not have a surviving spouse or surviving domestic partner, your eligible children will receive a

survivorship allowance until they reach the age of 18. They may be eligible for a Student Survivorship until age 22 if they are full-time students and meet the qualifications for a school allowance. Refer to Chapter 13: Surviving Child's School Allowance for more information.

To receive a survivorship, your child(ren) must meet all the following requirements:

- The child survives your death;
- The child is unmarried and not in a domestic partnership at the time of your death (and has never been married or in a registered domestic partnership);
- The child is under the age of 18 years at the time of your death; and
- If the child is adopted, the adoption was completed prior to your death.

If you have a child that is born after your death, the child will be entitled to benefits at birth. [SJMC 3.28.1460(D) & 3.28.1530]

Your eligible children will receive a percentage of the allowance that would have been payable to your surviving spouse or surviving domestic partner, if there had been one. The allowance will be calculated as follows:

<b>Number of Children</b>	<b>Percentage of Allowance</b>
One Child	25% of the spousal or registered domestic partnership allowance.
Two Children	50% of the spousal or registered domestic partnership allowance divided by the number of children (25% each).
Three or More Children	75% of the spousal or registered domestic partnership allowance divided by number of children.

For example, if at the time of your death you had 20 years of City service and your final compensation was \$5,000 per month, we would first calculate what a Surviving Spouse or Surviving Domestic Partner's Survivorship Allowance would have been if you had a surviving spouse or domestic partner. Then we would calculate the child's survivorship benefit as follows, assuming you had one eligible child:

Surviving Spouse or Domestic Partnership Calculation:

20 years x 2.5% x \$5,000 Final Compensation = \$2,500 Monthly Survivorship

Child Survivorship Calculation (One Child):

\$2,500 x 25% of spouse/DP allowance = \$625 Monthly Child Survivorship

[SJMC 3.28.1480(B)]

### **Survivorship Allowance to Surviving Children if Allowance to Surviving Spouse or Surviving Domestic Partner Ceases due to Death or Re-marriage or a Subsequent Domestic Partnership**

If at the time of your death, you had an eligible surviving spouse or surviving domestic partner whose allowance stopped due to death or re-marriage or a subsequent domestic partnership, your eligible surviving children will receive the children's survivorship allowance described above. [SJMC 3.28.1480(C)]

### **Payment Method of Surviving Children's Allowance**

Your children's survivorship allowance will be paid to the child's custodial parent or guardian. The Retirement Board may, however, pay the allowances to any other person, or directly to the children, if it feels this is in the best interest of the children. In addition, the Board may suspend payments if it has reason to believe that the allowances are not being used for the benefit of the children. [SJMC 3.28.1520]

As an alternative, you may file a beneficiary designation form with the Retirement Board requesting that your children's survivorship allowance be paid through any of the following:

- A named custodian for your children under the California Uniform Transfers to Minors Act;
- A trustee of a trust created for the benefit of your children under your will;
- A trustee of an Inter Vivos trust (Living Trust).

If you want your children's survivorship allowance to be distributed through one of these vehicles, you must legally name the custodian or establish the trust, and you must put the information on an official trust designation form and file it with the Retirement Board, naming the custodian or clearly identifying the applicable trust. If payment is to be made to one of these trusts, the trust must be legally approved by the courts prior to any payments being made. [SJMC 3.28.1525]

### **Benefits When There is no Surviving Spouse or Surviving Domestic Partner or Surviving Children**

If you have no surviving spouse or surviving domestic partner or eligible children, your designated beneficiary will receive your death benefit. If you have not named a beneficiary, the death benefit will be paid to your estate. (You may name or change your beneficiary at any time). This benefit consists of the following:

- Your accumulated contributions to the system; and
- One-twelfth of your annual earned or earnable (whichever is greater) compensation during the twelve months immediately preceding your death multiplied by the number years of service to which you were entitled at the time of your death. This amount may not exceed 50% of your compensation earned or compensation earnable in the twelve-month period preceding your death. (This limit is reached at 6 years of service).

[S]MC 3.28.1500]

This death benefit is a lump sum payment, but it may be paid to your beneficiary in a fixed number of installments. You may elect in writing to have your death benefits paid to your beneficiary in installments. If you have not made an election prior to your death, your beneficiary may choose installment payments if they do so before any death benefit is paid.

The monthly installment will be the actuarial equivalent of the lump sum amount. The installments may be fixed in number or amount. Regular interest will be credited on the unpaid balance of the benefits payable. The payments continue until the actuarial equivalent of the total death benefit has been paid.

[S]MC 3.28.1510]

## Chapter 11: Death After Retirement

This chapter describes the benefits available to your eligible survivors if you die **after** you have retired.

### Death After Retirement If Less Than Five Years of Service

Unless you choose an optional allowance as described in Chapter 12: Optional Retirement Allowances, your survivors will not be eligible for a monthly survivorship allowance upon your death if you have less than five years of retirement service credit. However, if, at the time of your death, the total amount of the retirement benefits you have received is less than the total of your contributions, plus interest, your estate will receive the difference between your contributions (including interest) and the total paid to you by the retirement system at the time of your death. [S]MC 3.28.1070]

**Note:** Since at least five years of service is required for service retirements, this provision applies primarily to disability retirees with less than five years of service credit and those who meet vesting requirements through reciprocity with another agency.

#### **Special Provision for Former County Communications Employees**

If you became a member of this Retirement System prior to April 15, 1991, pursuant to a transfer of communication functions from the County of Santa Clara to the City of San José and received a retirement under the special provision for these members, your eligible survivors will receive the survivorship allowance described in the next section, “Death After Retirement If More Than Five Years of Service.” This applies even if you had less than five years of service since the special provision allows a service retirement with two or more years of service. [S]MC 3.28.1570(C) & 3.28.1110(A)(3)]

### Death After Retirement If More Than Five Years of Service

The following benefits apply in the following circumstances:

- You die after you have already retired; and
- You were credited with at least five years of retirement service credit at the time of your retirement (or you are an eligible former County Communications employee described above).

[S]MC 3.28.1570]

#### **Survivorship Allowance to Surviving Spouse or Surviving Domestic Partner**

If you have an eligible surviving spouse or surviving domestic partner at the time of your death, your surviving spouse or surviving domestic partner will be eligible for a

monthly allowance until he or she dies. An eligible surviving spouse or surviving domestic partner is the person to whom you were married or in a registered domestic partnership with both at the time of your retirement and at the time of your death and who survives your death. Unless you choose an optional allowance as described in Chapter 12: Optional Retirement Allowances, the monthly survivorship allowance will be 50% of your retirement allowance. [S]MC 3.28.1560(C)(D)]

For example, if you retired with 25 years of retirement service credit and your final compensation was \$5,000 per month, your monthly benefit would have been:

$$25 \text{ years} \times 2.5\% \times \$5,000 \text{ Final Compensation} = \$3,125$$

Monthly Retirement Allowance

Your Surviving Spouse or Domestic Partner's survivorship allowance would be calculated by multiplying 50% by your Monthly Retirement Allowance (described above):

$$50\% \times \$3,125 = \$1,562.50$$

Monthly Surviving Spouse or Domestic Partner Survivorship Allowance

[S]MC 3.28.1580]

### **Survivorship Allowance to Surviving Children If There Is No Surviving Spouse or Surviving Domestic Partner**

Your children are not eligible for survivorship benefits if you have a surviving spouse or surviving domestic partner at the time of your death. If, at the time of your death, you do not have a surviving spouse or surviving domestic partner, your eligible children will receive a survivorship allowance until they reach the age of 18. When they reach the age of 18, they are eligible to receive a school allowance until age 22 if they meet the qualifications to receive a school allowance. Refer to Chapter 13: Surviving Child's School Allowance for more information.

All the following requirements must be met in order for your children to receive survivorship benefits:

- You do not have a surviving spouse or domestic partner;
- The child survives your death;
- The child is neither married nor a member of a registered domestic partnership at the time of your death (and has never been married or a member of a registered domestic partnership); and
- The child is under the age of 18 years at the time of your death.
- If the child is adopted, the adoption was completed prior to your death.

If you have a child that is born after your death, the child will be entitled to benefits at birth. [S]MC 3.28.1560(B) & 3.28.1630]



Your eligible children will receive a percentage of the allowance that would have been payable to your surviving spouse or surviving domestic partner, if there had been one. The allowance will be calculated as follows:

<b>Number of Children</b>	<b>Percentage of Allowance</b>
One Child	25% of the spousal or registered domestic partnership survivorship allowance.
Two Children	50% of the spousal or registered domestic partnership allowance divided by the number of children (25% each).
Three or More Children	75% of the spousal or registered domestic partnership allowance divided by number of children.

For example, if you die after you retired, do not have a surviving spouse or domestic partner, and left one surviving child under the age of 18, we would calculate your child's survivorship by first reviewing your monthly retirement allowance. If you retired with 25 years of retirement service credit and your final compensation was \$5,000 per month, your monthly retirement allowance would have been:

$$25 \text{ years} \times 2.5\% \times \$5,000 \text{ Final Compensation} = \underline{\$3,125}$$

Monthly Retirement Allowance

Next, we would calculate the survivorship allowance that a surviving spouse or domestic partner would have received if eligible. This amount is obtained by multiplying the monthly retirement allowance by 50% (described above):

$$50\% \times \$3,125 = \underline{\$1,562.50}$$

Monthly Surviving Spouse or Domestic Partner Survivorship Allowance

Then, we would multiply the Monthly Surviving Spouse or Domestic Partner Survivorship Allowance by the Child Survivorship percentage for one child (25%) to obtain the Monthly Child Survivorship Allowance:

$$25\% \times \$1,562.50 = \underline{\$390.63}$$

Monthly Child Survivorship Allowance

[S]MC 3.28.1590(B)]

### **Survivorship Allowance to Surviving Children Where Surviving Spouse or Surviving Domestic Partner Dies After Receiving Allowance**

If at the time of your death, you had an eligible surviving spouse or surviving domestic partner who subsequently dies, any eligible surviving children existing at the time of

your spouse or domestic partner's death will receive the children's survivorship allowance described previously. Any surviving children who are or have been married or who are or have been a member of a registered domestic partnership will not be eligible for such allowance. [SJMC 3.28.1600]

### **Payment Method of Surviving Children's Allowance**

Your children's survivorship allowance will be paid to the custodial parent or guardian. The Retirement Board may, however, pay the allowances to any other person, or directly to the children, if it is determined that this is in the best interest of the children. In addition, the Board may suspend payments if it has reason to believe that the allowances are not being used for the benefit of the children. [SJMC 3.28.1520 & 3.28.1610]

As an alternative, you may file a beneficiary designation form with the Retirement Board requesting that your children's survivorship allowance be paid through any of the following:

- A named custodian for your children under the California Uniform Transfers to Minors Act;
- A trustee of a trust created for the benefit of your children under your will;
- A trustee of an Inter Vivos trust (Living Trust).

If you choose to have your children's survivorship allowance paid through a custodian or trustee, you should be aware that there are several legal requirements (specified in the San José Municipal Code) that must be met, including, but not limited to the following:

- If you set up payment of your children's survivorship allowance through a custodian, the Retirement Board must be provided proof, to its satisfaction, that such person is in fact the custodian named in the beneficiary designation form on file with the Board and the Board must be provided with written acknowledgement of receipt of payment from the custodian. The custodian must also provide the Board with additional waivers, indemnification or other documents that the Board may require.

If you set up payment of your survivorship allowance through a trustee of a Testamentary Trust or through a trustee of an Inter Vivos Trust, you must specifically designate the trust as your beneficiary on your Beneficiary Designation Form and the Board must be provided with a court order which determines the validity of the trust or trusts and orders their establishment. [SJMC 3.28.1525]

### **Benefits When There Is No Surviving Spouse or Surviving Domestic Partner or Surviving Children**

If you have no eligible surviving spouse or surviving domestic partner or eligible children, your estate will receive a return of your remaining contributions, if applicable. This is payable only if, at the time of your death, the total amount of

retirement benefits you have received is less than the total of your contributions, plus interest. Your estate or beneficiary will receive the difference between your contributions (including interest) and the total paid to you by the retirement system at the time of your death. If you choose an optional allowance as described in Chapter 12: Optional Retirement Allowances, then your designated beneficiary will receive that monthly survivorship allowance. [SJMC 3.28.1070]

**Special Death Benefit**

In addition to the benefits outlined above, \$500 will be paid to the beneficiary you have designated, or to your estate if no beneficiary is designated. [SJMC 3.28.1620]

## Chapter 12: Optional Retirement Allowances

This chapter provides information on the optional retirement allowances that retirees may elect at the time of retirement.

You have the option of reducing your own retirement allowance to either increase the amount of a survivorship allowance or to provide a survivorship allowance after your death. [SJMC 3.28.1650]

Your options include reducing your retirement allowance to provide your spouse, domestic partner, or child with a higher survivorship allowance than the benefits described in the previous chapters of this handbook. Also, if you are single you may elect to reduce your retirement allowance to provide a beneficiary, who would not otherwise be entitled, with a monthly survivorship allowance.

Both your age and the age of your beneficiary is a very important factor in determining the amount by which your retirement allowance will be reduced. If your beneficiary is significantly younger than you, your benefit would be reduced more than if you were the same age. This is because the benefit to your beneficiary will most likely be paid for a longer period of time.

### Time Limits to Choose Options

An election for an optional settlement must be made in writing no later than 30 days after the effective date of your retirement. You may amend or revoke any election in writing no later than 30 days after the effective date of your retirement. Any election that is not amended or revoked on or before 30 days from the effective date of your retirement shall be irrevocable. [SJMC 3.28.1660]

Once you elect an optional settlement that reduces your own retirement allowance, you **cannot** have your base allowance changed back to its original amount after the deadlines have passed.

### Optional Settlements

If you are married or in a registered domestic partnership at the time of retirement, your options for retirement allowances include the following:

- A reduced retirement allowance paid to yourself until your death, and then the same amount paid to your surviving spouse or domestic partner for the rest of his/her life (generally referred to as Option 1 -100%).
- The full retirement allowance paid to you until your death, and then one-half of your allowance paid to your surviving spouse or domestic partner for the rest of their life (generally referred to as Option 2 – 50%).

[SJMC 3.28.1670 & 3.28.1680]

If you are not married and not in a registered domestic partnership at the time of retirement, your options for retirement allowances include the following:

- A reduced retirement allowance paid to yourself until your death, and then the same amount paid to your beneficiary for the rest of his/her life (generally referred to as Option 1 -100%).
- A reduced retirement allowance paid to you until your death, and then 50% of your reduced allowance paid to your beneficiary for the rest of his/her life (generally referred to as Option 2 – 50%).
- A reduced retirement allowance paid to yourself until your death, and then a percentage of your retirement allowance paid to your beneficiary for the rest of his/her life. You select the percentage amount. The percentages are subject to the approval of the Retirement Board.

[S]MC 3.28.1670, 3.28.1680 & 3.28.1690]

## Sample of the Retirement Allowance Options

Following is an example of optional settlements for a service retiree who is 55 years old with a spouse or domestic partner who is 53 years old. The standard allowance in this example is 75% of final compensation for the retiree and 37.5% of the retiree's standard allowance for the surviving spouse or surviving domestic partner. **Note:** These figures are just examples. Your specific options are calculated at retirement.

Form of Annuity	To Retiree if Both Alive	To Surviving spouse/domestic partner	To Retiree if Spouse/domestic partner dies
Unmodified - 50%	\$2,723.38	\$1,361.69	\$2,723.38
Option 1 – 100%	\$2,488.08	\$2,488.08	\$2,488.08

The “Unmodified – 50%” form of annuity is the standard or default retirement and survivorship allowances. The “Option 1 – 100%” form of annuity is the reduced retirement allowance which provides an increase in the survivorship allowance.

### Beneficiaries of Optional Settlements

If you are married or have a registered domestic partner at the time of your retirement and you elect one of the options above, then you must designate your spouse or domestic partner as the beneficiary entitled to receive the optional settlement. No one other than your spouse or domestic partner is eligible to be a designated beneficiary. If you name someone other than your spouse or domestic partner and at the time of your death there is an eligible surviving spouse or surviving domestic partner or surviving child/children, then no benefits will be paid to the designated beneficiary. Instead, survivorship benefits will be paid to your surviving

spouse or surviving domestic partner, or surviving children.

Any beneficiary you designate to receive an optional settlement benefit must be a natural person; it cannot be a corporation, partnership, or class of persons. Your beneficiary must satisfy the Board that he/she is indeed your designated beneficiary and is entitled to receive the benefit(s) in question. [SJMC 3.28.1710(B), 3.28.1700 & 3.28.1710]

Beneficiary Designation forms are available on the Retirement Services' website ([www.sjretirement.com](http://www.sjretirement.com)) under "Forms." Be sure you select the appropriate form (Active Employees should use the Beneficiary Form for Active Members and Federated Tier 1 Retirees should use the Beneficiary Form for Federated Tier 1 Retirees).

## Chapter 13: Surviving Child's School Allowance

Upon your death, your eligible minor children may receive a survivorship allowance until they reach the age of 18 as described in the applicable chapters of this handbook. After age 18, your surviving children may be eligible to receive a school allowance if they meet the following conditions:

- Must have reached the age of 18;
- Must not have reached the age of 22;
- Must be neither married nor a member of a registered domestic partnership; and
- Must be a full-time student at a qualifying educational institution.

[S]MC 3.28.1750(B)]

### Definition of a Full-Time Student

To qualify as a full-time student, the surviving child must be enrolled in a junior college, college, or university in a day or evening non-correspondence course that is at least 13 weeks long and is full-time under the school's standards and practices for day students. The surviving child may also qualify if enrolled in any other educational institution in a day or evening non-correspondence course that is at least 13 weeks long and is full-time under the school's standards and practices for day students with scheduled attendance of at least 20 hours per week.

The 13-week requirement refers to the entire course of study and not a semester, quarter, or summer school session. For example, a two-year junior college course qualifies even though any particular session lasts less than 13 weeks. The scheduled attendance must be a minimum of 20 hours per week. A student will not be considered a full-time student if he or she is paid by his or her employer for attending an educational institution if attendance is required by the employer or at the employer's request.

[S]MC 3.28.1750(C) & 3.28.1750(D)]

### Qualifying Educational Institutions

A qualifying educational institution is a junior college, college, university, or school (including a technical, trade or vocational school) that meets one of the following requirements:

- An educational institution that is operated or directly supported by the United States, or by any state in the U.S., or by any local government or political subdivision of the U.S.;

- An educational institution that is approved or accredited by a state-recognized or nationally recognized accrediting agency or body; or
- An educational institution whose credits are accepted, on transfer, by not less than three institutions which have been accredited by a state recognized or nationally recognized accrediting agency.

[S]MC 3.28.1750(A)]

## **Periods of Non-Attendance**

A student who has been in full-time attendance may still be considered to be in full-time attendance during a period of time that he or she is not attending school (such as summer break) as long as the period of non-attendance is less than four consecutive months. The student must establish that he or she is in full-time attendance in the month following the period of non-attendance. If the student does not return to full-time student status after a period of non-attendance, the student will owe the Plan for any benefits paid during the period of non-attendance. A student does not qualify for a school survivorship if the reason for nonattendance is due to expulsion or suspension from school.

[S]MC 3.28.1770]

## **Duration of School Allowance**

As long as an eligible surviving child continues to meet the requirements, as confirmed through timely submission of supporting documentation to Retirement Services, the school allowance will continue until the month before the month in which any of the following events first occurs:

- The child is no longer a full-time student at a qualifying educational institution;
- The child turns 22 years of age;
- The child marries or becomes a member of a registered domestic partnership; or
- The child dies.

[S]MC 3.28.1790]

## **Amount of School Allowance**

The amount of the monthly school allowance is calculated in the same manner as the applicable surviving child's allowance described in Chapter 10: Death before Retirement and Chapter 11: Death After Retirement. [S]MC 3.28.1800]



## Reporting Requirements

To continue receiving a monthly survivorship allowance, as well as medical and dental coverage, students must verify their eligibility and enrollment. Each semester (or quarter), students must submit a copy of the school registration or a letter from the school that states that the student is attending on a full-time basis. Students must also send in a monthly statement of school attendance.

Failure to provide the monthly statements and copies of school registration will result in termination of the monthly school allowance, as well as loss of the medical and dental coverage. In addition, if a child receives a school allowance during a period for which it is determined that they did not qualify, any overpayment of benefits will be due to the Plan plus applicable interest. [SJMC 3.28.1760]

## Chapter 14: Medical and Dental Benefits

This chapter describes medical and dental benefits for eligible service and disability retirees and their survivors. It also describes the eligibility requirements for survivors of members who died prior to retirement.

Classic members hired on or after September 28, 2013, are enrolled in the Voluntary Employee Benefit Association (VEBA) and not eligible for the defined benefit retiree medical or dental plans. Please see VEBA section of this Chapter for more information.

[3.58.020.08; 3.58.100]

### Medical Benefits

#### Medical Insurance Coverage for Retirees

You may be entitled to medical insurance coverage after retirement if you meet the following qualifications:

- You are retired for service or disability;
- You are entitled to credit for 15 or more years of service or you receive an allowance that is equal to at least 37.5% of your final compensation; and
- You apply for medical insurance coverage, including enrollment in medical in-lieu, at the time of your retirement and agree to pay any applicable premiums; OR you execute a waiver of coverage in the form and manner prescribed by the City indicating that you have medical coverage at the time of retirement other than coverage under the City's medical insurance coverage and later apply for medical insurance coverage upon the occurrence of a qualifying event, or if there is no qualifying event, apply for medical insurance coverage during the annual open enrollment period, and agrees to pay any applicable premiums within thirty (30) days of the termination of the prior coverage or the commencement of coverage following open enrollment as applicable.

**Note:** If you have a disability retirement that is being offset due to Workers' Compensation benefits, the allowance used to determine if you meet the 37.5% minimum is your retirement allowance before the offset.

[S]MC 3.28.1950(A) & 3.28.1970(A)]

#### Medical Insurance Coverage for Your Spouse or Domestic Partner

Your spouse or domestic partner is eligible for medical insurance only if you were married to them or in a registered domestic partnership with them at the time of your retirement. If you marry or enter into a registered domestic partnership after the date of your retirement, your spouse or domestic partner is not eligible for medical coverage.

[S]MC 3.28.1970(C)(D)]

#### Medical Insurance Eligibility Requirements for Eligible Children/Dependents

Your natural, adopted and/or stepchildren, or court-appointed guardianship are eligible for medical insurance under the terms of the eligible medical plan until the end of the month he or she turns 26 years old. If you have an adult disabled child, medical coverage will cease when the member and survivor(s) are no longer living or no longer eligible for coverage.

Your dependent will receive a letter the first of the month before the end of their enrollment eligibility letting them know his/her coverage is terminating. At the time of loss of coverage, the child will be offered Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage, which is a federally mandated provision of continuation of medical, dental and vision care benefits which the full premium must be paid by the recipient. The maximum duration of this self-paid coverage is 36 months.

### **Medical Insurance for Your Survivor(s)**

Your surviving spouse or surviving domestic partner, or surviving child/children may be eligible for medical insurance coverage if they meet the following qualifications:

- You died before retiring or were retired for service or disability;
- At the time of your death, you were entitled to credit for 15 or more years of service or were receiving an allowance that is equal to at least 37.5% of your final compensation;
- Your survivor is receiving a monthly survivorship allowance because of your death during your employment with the City or after you retired;
- At the time of your death, you and your survivor were enrolled in one of the City sponsored medical insurance plans;
- Your survivor applies to continue medical insurance coverage at the time of your death; and
- Your survivor agrees to pay any applicable premiums for this coverage.

**Note:** If, at the time of your death, you were receiving a disability retirement that was being offset due to Workers' Compensation benefits, the allowance used to determine if you meet the 37.5% minimum is your retirement allowance before the offset.

[S]MC 3.28.1960 & 3.28.1970(B)]

### **Single Coverage Only for Surviving Spouse or Surviving Domestic Partner**

Generally, a surviving spouse or surviving domestic partner is eligible only for single coverage. However, if you have at least one surviving child, or if your surviving spouse or surviving domestic partner has at least one child, or if the surviving spouse or surviving domestic partner is the court-appointed guardian of a child or children and such child or children are eligible for coverage under the terms of the eligible medical plan, the surviving spouse or surviving domestic partner may continue family coverage after such child reaches the age of 26.

**Note:** If the child is adopted or a court appointed guardianship, the adoption or legal guardianship must be completed prior to your death.

[S]MC 3.28.1970(E) & 3.28.1560(B)(4)]

## Required Medical Dependent Documentation

DEPENDENT TYPE	REQUIRED DOCUMENTATION
Spouse	<ul style="list-style-type: none"> <li>• Government issued Marriage Certificate; AND</li> <li>• Government issued Birth Certificate</li> </ul>
Domestic Partner	<ul style="list-style-type: none"> <li>• Declaration of Partnership filed with the California Secretary of State or a jurisdiction other than California and such union is recognized as a domestic partnership pursuant to California Family Code Section 299.2; AND</li> <li>• Government issued Birth Certificate</li> </ul>
Natural Child(ren)	<ul style="list-style-type: none"> <li>• Government issued Birth Certificate</li> </ul>
Stepchild(ren) or Child(ren) of Domestic Partner  NOTE: Coverage will end upon divorce or termination of domestic partnership or death of retiree.	<ul style="list-style-type: none"> <li>• Government issued Birth Certificate; AND</li> <li>• Government issued Marriage Certificate or Declaration of Partnership filed with the California Secretary of State (or a jurisdiction other than California and such union is recognized as a domestic partnership pursuant to California Family Code Section 299.2) between retiree and parent of child(ren)</li> </ul>
Legally Adopted Child(ren)	<ul style="list-style-type: none"> <li>• Court Documentation (Must include presiding Judge Signature and Court Seal)</li> </ul>
Guardianship Child(ren)	<ul style="list-style-type: none"> <li>• Court Documentation (Must include presiding Judge Signature and Court Seal)</li> </ul>

DEPENDENT TYPE	REQUIRED DOCUMENTATION
Child(ren) with Permanent Disability	<ul style="list-style-type: none"> <li>• Certification of disability from Social Security; or</li> <li>• Documentation of Disability from Physician, if not SSA Certified</li> <li>• Must recertify as required by Medical Plan</li> </ul>

## Medical Insurance Premiums

The Retirement System pays 100% of the premium for the lowest cost plan (see below) available to active City employees. If you or your survivor selects a plan other than the lowest cost plan, then you or your survivors must pay the difference between the premium for the selected plan and the lowest cost plan. Premium payments are deducted from your (or your survivor's) retirement allowance. [S]MC 3.28.1980.B]

Health premium rates sheets are available on the Retirement Services website, [www.sjretirement.com](http://www.sjretirement.com).

Below is an example of the retiree's share of the premium for a plan other than the lowest cost plan. Please note that the medical plan names and premiums are hypothetical and are only used for illustrative purposes.

Example 1: Lowest Cost Medical Plan (Retirement Fund Subsidy Amount) =  
Member Only = \$600 per month

Member Only BlueSkyMedical \$25 Copay HMO total monthly premium is \$900; Member pays \$300/month (\$900 - \$600) = \$300 retiree paid monthly premium.

Example 2: Lowest Cost Medical Plan (Retirement Fund Subsidy Amount) =  
Member + Spouse + Child(ren) = \$1,800 per month

Member + Spouse + Child(ren) BlueSkyMedical \$25 Copay HMO total monthly premium is \$2,600; Member pays \$800/month (\$2,600 - \$1,800) = \$800 retiree paid monthly premium.

## Lowest Cost Medical Plan

The lowest cost plan for any current or future retiree in the defined benefit plan may not be set lower than the "silver" level as specified by the Affordable Care Act in effect in July 2015. This specifically includes the provision that the healthcare plan must be estimated to provide at least 70% (the "floor") but no more than 79% (the "ceiling") of healthcare expenses. [S]MC 3.28.1980.E]

## Health In Lieu Option

Effective June 16, 2017, retirees, their dependents, and their surviving spouse/surviving domestic partner, and/or children who are eligible for plan-subsidized medical and dental insurance coverage, may enroll in the Health In-Lieu (“HIL”) credit program instead of a medical or dental plan. The credit amount is equal to twenty-five percent (25%) of the monthly premium of the lowest cost medical plan and the lowest cost dental plan. These credits accumulate in an account and may be used to offset future medical premiums if and when the retiree enrolls in a retiree medical plan. HIL credits have no cash value and may only be applied toward retiree medical plan premiums. Credits may not be refunded in cash.

Enrollment in the HIL credit program is for one year only and does not automatically carry over from year-to-year. **Retirees must re-enroll in the HIL credit program every year during Open Enrollment.** If a retiree does not re-enroll during Open Enrollment, they will stop accruing In-Lieu credit as of January 1<sup>st</sup> following Open Enrollment. Retirement Services will not provide retroactive In-Lieu credit if a retiree does not re-enroll during Open Enrollment. The retiree may re-enroll at the next Open Enrollment to begin receiving In-Lieu credit.

Below are additional rules and requirements for the HIL option:

- Eligible retirees who receive retiree healthcare coverage as a dependent of another CSJ employee or retiree are **NOT** eligible for the family HIL premium credit. **They may only elect the single HIL premium credit.**
- To the extent a retiree and/or the retiree’s eligible dependents select to receive the credits and the retiree and his or her surviving dependents **do not use** the accumulated credits while eligible for CSJ healthcare coverage, **any remaining credits will be forfeited.** In **no** event can a retiree, surviving spouse, surviving domestic partner, and/or eligible dependent **receive the credits in-lieu of coverage as cash. Credits may only be applied to the cost of future premiums for CSJ coverage.**
- A retiree enrolled in Medical HIL will not be required to enroll in Medicare. However, if such retiree later enrolls in a retiree medical plan, he or she will be required to enroll in Medicare and any charges or penalties imposed by Medicare associated with enrollment outside the “initial enrollment period” shall be borne by such retiree.
- One month **must** elapse before HIL credits are applied towards the monthly health premiums of a CSJ health plan.
- HIL lifetime balances are listed on the upper left-hand side of the monthly pay advices under Medical In Lieu LTD (Life to Date).
- Enrollment in the in-lieu credit program does not carry over from year-to-year automatically. You **must** re-enroll for in-lieu program every year during Open Enrollment by submitting an Open Enrollment Form.

[3.28.1965]

<b>Health-In-Lieu (HIL) Coverage Eligibility Table</b>				
Medical Coverage	M (Member)	M+ Child(ren)	M+Spouse/ Domestic Partner	M+SP/DP +CH
ORS Retiree HIL & CSJ Active Employee Coverage	X			
ORS Retiree Coverage & ORS Retiree HIL (Both are Retirees)	X			
All Others	X	X	X	X

## Coverage for VEBA Members

In 2017, Tier 1 and Tier 2A employees were given a one-time irrevocable election to participate in a Voluntary Employees' Beneficiary Association (VEBA). If a Tier 1 employee made the election to participate in the VEBA, their previous employee retiree healthcare contributions were placed into an individual VEBA account. Tier 1 Classic members hired on or after September 27, 2013, are mandated to enroll in VEBA.

The funds in the VEBA may be used to reimburse post-retirement out-of-pocket health care costs incurred by the retiree, the retiree's spouse, and qualified dependents on a pre-tax basis.

In some cases, retirees who are enrolled in VEBA are allowed to purchase retiree healthcare. The requirements are as follows:

- Must have an account in the City of San José's VEBA Plan; and
- Must have at least five (5) years of service with the City of San José; and
- Must pay 100% of the healthcare premium; and
- If age 65 or older, must be enrolled in Medicare Parts A and B.

The premiums of plans available to VEBA members are based on retirees only and will not be blended with active employees. As such, the premiums may be higher than premiums paid by the Retirement Plan and/or member for those eligible to participate in retiree medical pursuant to 3.28.1970(J) and 3.36.2000.

Health premium rate sheets for VEBA members are available on Retirement Services website, [www.sjretirement.com](http://www.sjretirement.com).

[S]MC 3.58.020.10 & 3.58.200.D]

## **Catastrophic Disability Healthcare Program**

VEBA members who are approved for a service-connected disability by the Board are eligible for plan-subsidized medical and dental coverage when certain conditions are met.

[SJMC 3.58 Part 3]

### **Eligibility for catastrophic disability healthcare benefits under VEBA**

A member who is covered by the VEBA shall be entitled to receive a plan-subsidized benefit if the following requirements are satisfied:

- The member is receiving a service-connected disability retirement benefit; and
- The member is not eligible for an unreduced service retirement; and
- The member has exhausted all funds credited to his or her VEBA account; and
- The member does not have other employment that provides healthcare coverage. The member must submit, on an annual basis, an affidavit in the form prescribed by the administrator of the VEBA verifying that the member has no other employment which provides healthcare coverage; and
- The member is not eligible for Medicare.

[SJMC 3.58.300; 3.58.310; 3.58.320]

### **Catastrophic disability healthcare benefit under VEBA**

A member who meets eligibility requirements is entitled to receive a plan-subsidized benefit similar to those established under Parts 16 and 17 of Chapter 3.28 of Title 3 of the San José Municipal Code. These provisions entitle a member to a benefit equal to the amount of the premium for single coverage under the lowest cost medical insurance coverage available under the City's retiree medical program. Such benefit shall cease at the time that such member is eligible for coverage under Medicare. This catastrophic disability healthcare benefit shall be paid from the Federated Retiree Health Care Trust Fund, as applicable.

### **Limitations on payment of catastrophic healthcare benefit from defined benefit plan**

A member who is receiving a catastrophic healthcare benefit from the Plan shall be subject to the following limitations with respect to eligibility to receive such benefit:

- The member must submit, on an annual basis, an affidavit in the form prescribed by the administrator of the VEBA verifying that the member has no other employment which provides healthcare coverage; and
- If it is determined that the member has other employment which provides healthcare coverage, the member's eligibility for benefits under this Part 3 of



Chapter 3.58 shall automatically cease, subject to the ability for the member to again qualify under this Part 3 if the member subsequently loses such employment-provided healthcare coverage.

[S]MC 3.58.320]

## Medicare

Effective March 31, 2017, a retiree and/or dependent and/or survivor who is eligible for retiree healthcare benefits is required to enroll in Medicare Part A and B during the individual's "initial enrollment period" under the applicable federal rules. The initial enrollment period shall begin three (3) months before the Plan member and/or dependent and/or survivor's sixty-fifth (65th) birthday (or other event providing eligibility for enrollment in Medicare) and end three (3) months after the Plan member and/or dependent and/or survivor's sixty-fifth (65th) birthday. Even if you did not pay into Medicare yourself, you may be eligible for Medicare through a spouse (former or deceased spouse included).

Members who were hired prior to March 1986 and do not qualify for Premium Free Medicare Part A either through their own employment or through that of a spouse, ex-spouse or deceased spouse, are only required to enroll in Medicare Part B. However, spouses/domestic partners of Plan members are required to enroll in Medicare Part A regardless of whether they qualify for Premium Free Medicare Part A.

Employees hired after March 1986 pay Medicare taxes through payroll deductions and are eligible for premium-free Part A coverage.

The City offers Medicare Advantage Plans which include Part A (Hospital Insurance) and Part B (Medical Insurance) benefits. All retirees must pay a premium directly to Medicare for Part B coverage. The cost of your Part B premium is set by Medicare and depends on your income. The City's Medicare Advantage Plans automatically include drug coverage (Part D).

To continue your health coverage after age 65, you and your spouse/DP must enroll in Medicare and assign your Medicare coverage to a Plan-Sponsored Medicare Advantage Plan. Retirement Services will send you information on Medicare and Medicare Advantage enrollment about 3 months before you or your spouse/DP turn 65. You will need to contact the Social Security Administration (SSA) to enroll in Medicare and then submit the necessary forms to enroll in a Plan-sponsored Medicare Advantage Plan (i.e. INS650 Medicare Transition Form and the Medicare Enrollment Form specific to your plan) to the Office of Retirement Services along with a copy of your Medicare card. It is recommended that you contact the Social Security Administration as soon as possible to avoid delays in your Medicare enrollments.

If you are age 65 or older when you retire, you must enroll in Medicare and assign your Medicare coverage to a City Medicare Advantage Plan within four months after you retire as part of a “Medicare special enrollment period.” Retirement Services will send you information on Medicare and Medicare Advantage enrollment at the time of your retirement. You will need to contact the Social Security Administration to enroll in Medicare and then submit the necessary forms to enroll in a Medicare Advantage Plan (i.e. INS650 Medicare Transition Form and the Medicare Enrollment Form specific to your plan) to the Office of Retirement Services along with a copy of your Medicare card.

If you fail to enroll in Medicare during your “initial enrollment period” (or “special enrollment period” if age 65 or older at time of retirement) and/or fail to submit the necessary forms to Retirement Services by the due dates, your health enrollment through the Plan will be terminated (including that of your spouse and dependents). In addition, if you enroll in Medicare but stop paying your Medicare premiums, your health enrollment through the City will be terminated (including that of your spouse and dependents). To reinstate your medical coverage, you will have an opportunity to enroll or re-enroll in Medicare during Medicare’s annual “general enrollment period.” Once you are re-enrolled in Medicare, you will be eligible to re-enroll in a Plan-sponsored Medicare Advantage Plan.

Please be aware that Medicare charges penalties and late fees for late enrollments and lapses in payments. Retirement Services and/or the Retirement Plan is not responsible for any Medicare penalties and late fees incurred by you.

For more information, visit the Medicare website [www.medicare.gov](http://www.medicare.gov).

[S]MC 3.28.1970(I)]

## **Medicare Income-Related Monthly Adjustment Amount (IRMAA)**

If your income is above a certain level, you may have to pay the Medicare Income-Related Monthly Adjustment Amount (IRMAA) in addition to your Medicare Part B premium.

You may also get an IRMAA bill directly from the Social Security Administration for prescription coverage (Part D), even though your prescription coverage is included in your medical coverage with the Retirement Plan.

For more information, please visit the Medicare website, [www.medicare.gov](http://www.medicare.gov)

## **Dental Benefits**

### **Dental Insurance Eligibility Requirements for Retirees**

Retirees who are not enrolled in VEBA are entitled to plan-subsidized dental insurance coverage after retirement if they meet the following requirements:

- You retire directly from active employment for service or disability (“deferred vested” members who leave City service prior to retirement are not eligible for dental insurance); and
- You are entitled to 5 years of service or receive a retirement allowance equal to at least 37.5% of final compensation; and
- At the time of your retirement, you apply for dental insurance coverage in one of the dental insurance plans sponsored by the City, enroll in dental in-lieu or sign a waiver of coverage.

**Note:** If you have a disability retirement that is being offset due to Workers' Compensation benefits, the allowance used to determine if you meet the 37.5% minimum is your retirement allowance before the offset. [SJMC 3.28.2000 & 3.28.2020]

### **Dental Insurance for Your Spouse or Domestic Partner**

Your spouse or registered domestic partner may be covered as a dependent of your dental insurance enrollment if you are married or in a registered domestic partnership at the time of your retirement. You may NOT add a new spouse or new domestic partner as a dependent to your dental enrollment after your retirement.

### **Dental Insurance Eligibility Requirements for Eligible Children and/or Dependents**

Your natural, adopted, legal guardianship and/or stepchildren are eligible for dental insurance under the terms of the dental plan until the end of the month they turn 24 years old or cease to be eligible. If you have an adult disabled child, dental coverage will cease when the member and survivor(s) are no longer living or no longer eligible for coverage. Please refer to the “Required Dependent Documentation” section of this chapter for more information.

If you have a child dependent(s), about a month before the end of their enrollment eligibility, they will receive a letter letting them know his/her coverage is terminating. At the time of loss of coverage, the child will be offered Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage, which is a federally mandated provision of continuation of medical, dental and vision care benefits which the full premium must be paid by the recipient. The maximum duration of this self-paid coverage is 36 months.

### **Dental Insurance Eligibility for Your Survivors**

Your survivors will be entitled to dental insurance if they meet the following requirements:

- The surviving spouse, surviving domestic partner, or surviving child or children is eligible for a monthly survivorship allowance because of the death of the member;

- At the time of your death, you and your survivor were enrolled in one of the City sponsored dental insurance plans.
- You died before receiving retirement pay, or were retired for service or disability;
- At the time of your death, you were entitled to credit for 5 or more years of service or were receiving an allowance that is equal to at least 37.5% of your final compensation.

Your surviving spouse or surviving domestic partner may cover court-appointed guardianship child(ren) under the terms of the eligible dental plan until the end of the month he or she turns 24 years old. If you have an adult disabled child, dental coverage will cease when the survivor(s) are no longer living or no longer eligible for coverage.

**Note:** If the child is adopted or in the case of guardianship, the adoption or legal guardianship arrangement must have been completed prior to the deceased members death for the child to be eligible.

**Note:** If, at the time of your death, you were receiving a disability retirement that was being offset due to Workers' Compensation benefits, the allowance used to determine if you meet the 37.5% minimum is your retirement allowance before the offset.  
[S]MC 3.28.2010 & 3.28.2020(B)]

## Dental Insurance Premiums

The Retirement System pays 100% of the dental insurance premiums for eligible members. [S]MC 3.28.2030]

## Dental In Lieu Option

Retirees who are eligible for dental insurance coverage may instead of receiving such coverage choose to receive a credit for an amount equal to 25% of the lowest cost dental plan. If the retiree is eligible for subsidized medical coverage by the Retirement System and there is no retiree paid dental premium, credits accrued for dental-in-lieu may be used to off-set retiree paid medical premiums.

Enrollment in the health-in-lieu (“HIL”) credit program is for one year only and does not automatically carry over from year-to-year. **Retirees must re-enroll in the HIL credit program every year during Open Enrollment.** If a retiree does not re-enroll during Open Enrollment, they will stop accruing In-Lieu credit as of January 1<sup>st</sup> following Open Enrollment. Retirement Services will not provide retroactive In-Lieu credit if a retiree does not re-enroll during Open Enrollment. The retiree may re-enroll at the next Open Enrollment to begin receiving In-Lieu credit.

Please refer to “Health-in-Lieu” section for eligibility and details for participation.

## Open Enrollment

Open Enrollment is the annual period, from November 1st to November 30th, when retirees and survivors can make changes to their health insurances. Changes made during Open Enrollment become effective on January 1 of the following year.

Retirement Services typically mails Open Enrollment packets to eligible retirees and survivors by the end of October every year. These packets include information about plan changes, required forms, the date of the Health Fair and the times and locations of the carrier representatives' presentations, if any. Health enrollment change forms must be submitted to Retirement Services no later than the last day of Open Enrollment, typically November 30<sup>th</sup>, or they will not be accepted.

Open Enrollment information is available on the Retirement Services website, [www.sjretirement.com](http://www.sjretirement.com). Retirees and survivors are encouraged to electronically submit their Open Enrollment changes through Member Direct. To do so, login to Member Direct and click on the Open Enrollment Link and follow the instructions to make your Open Enrollment changes online.

**IMPORTANT:** Health In Lieu enrollment automatically terminates in December of each year. To continue Health In Lieu for another year, the retiree or survivor must submit an Open Enrollment form during Open Enrollment. Late enrollments forms will not be accepted.

## Qualifying Life Events

A Qualifying Life Event (QLE) is a specific life event that allows retirees to change their health enrollments outside of the annual Open Enrollment period. Qualifying events include, but are not limited to, the events below. An INS100 form and proof of the QLE are required within 30 days from the date of the event. Benefit changes will start the first of the month following the date of the event.

- Gain of Coverage Elsewhere
- Loss of Coverage
- Birth of a Child
- Adoption of a Child
- Dissolution of Domestic Partnership
- Divorce or Legal Separation
- Changes in Residence (Moving)

## Chapter 15: Separation from City Service Prior to Retirement (Deferred Vested)

This chapter describes options and benefits available if you separate from City service prior to retirement. If you separate from City service before retirement, your options and benefits depend, in part, on your years of retirement service credit.

**Note:** Retirement benefits issued at the time of your retirement are based on the applicable retirement plan that was in effect at the time you separated from City service.

### Options at the Time of Separation from the City

Upon receiving notice of your separation from City service, Retirement Services will send you a Distribution Election form which must be completed and returned to Retirement Services within 90 days. The Distribution Election form documents your election to either leave your contributions in the fund, if eligible, or withdraw your contributions. Below is a description of options available at the time of your separation from the City.

#### Fewer Than Five Years of Service (Without Reciprocity)

If you have fewer than five years of service, all of your contributions to the Plan, plus interest on your contributions will be returned to you. You do not have the option of leaving your contributions in the retirement system. Neither you, your survivor, nor your estate will be entitled to any other benefit under the retirement plan.

[S]MC 3.28.590(B)(2)]

#### Fewer Than Five Years of Service (With Reciprocity)

You may be eligible to leave your contributions on deposit with the Plan, even if you have fewer than five years of service, if establish reciprocity with another agency. You must notify both Retirement Services and CalPERS of your intent to establish reciprocity as soon as possible. Reciprocity is explained in Chapter 18: Reciprocity.

[3.28.2420(A)] [3.28.2410(A)]

#### Five or More Years of Service

If you leave City employment after five or more years of service credit you have the following options:

- Elect to leave your contributions in the retirement fund and apply to receive a lifetime retirement allowance when you turn age 55. Note: You must submit a retirement application to begin receiving your benefits; or
- Elect to withdraw your contributions, plus interest, and forfeit a lifetime retirement allowance. You, your survivors, or your estate will not be entitled to any other benefit under the Retirement Plan.

[S]MC 3.28.590]

## Return of Contributions

If you elect a return of your contributions after you separate from the City, you will receive your contributions plus interest earned by the fund, not to exceed 3% per year. You will not receive any of the contributions the City has made on your behalf. You will also lose any rights to a retirement allowance or benefits that you, a surviving spouse or surviving domestic partner, or child(ren) may have been entitled to under the retirement plan.

Effective December 22, 2013, employee contributions made for retiree healthcare were placed into the “115 Trust.” Due to IRS regulations, however, contributions put into the “115 Trust” will not be eligible for refund upon separation from City service. However, any retiree healthcare contributions made prior to December 22, 2013, will still be eligible for refund upon separation from City service.

[SJMC 3.52.010 – 3.52.760]

In order to receive a return of your contributions once you have been separated from City service, you will need to complete and submit the Distribution Election Form that will be sent to you from Retirement Services. Please note that you must be separated from City service to receive a return of contributions.

### **Tax Treatment of Withdrawn Contributions**

If you receive a return of contributions, you may elect to roll over your contributions and interest to an Individual Retirement Account (IRA) or a qualified retirement plan or receive a cash disbursement. If you choose to receive a cash disbursement, Retirement Services must withhold 20% for Federal taxes. According to Internal Revenue Codes, you may also be subject to a 10% penalty for early withdrawal if you are under age 59 1/2. At your request, we will withhold 2% for California state taxes.

### **Termination of Membership**

If your membership in the system is terminated either by your election or by failure to submit the election form, the following occur:

- You will not receive any retirement system benefits;
- You will not receive a retirement allowance; and
- Your beneficiaries will receive no benefits.

[3.28.780]

### **Active Employees and Return of Contributions**

Under no circumstances can you withdraw your contributions from the retirement system while you are still a City employee and active member of the system. If you terminate City employment, you may receive a return of your contributions. You will not, however, receive any of the contributions made by the City on your behalf.

City contributions are not allocated to individual accounts prior to retirement. They



cannot be withdrawn by a member upon leaving City employment or terminating membership in the retirement system.

## **Leaving Contributions in the Retirement Fund**

### **Continuing Membership After Leaving City Service**

If, after leaving City service, you are eligible to leave your contributions in the retirement fund and elect to do so by submitting an election form to Retirement Services, the following occur:

- You continue to be a member of the system;
- You continue to be entitled to your retirement service credit; and
- You have rights and benefits to which you or your survivors may be entitled under the retirement system.

[S]MC 3.28.590(F)]

### **Benefits for Members Who Elect to Continue Membership (Deferred Vested)**

If you leave City service, qualify to continue membership in the system and elect to do so, you will be considered a "deferred vested" member. Unless otherwise noted in this handbook or [S]MC, the benefits for "deferred vested" members are the same as for members who retire directly from active City service. An exception is that you cannot apply for a disability retirement for an injury or disease that occurs after you leave City service. Also, members who do not retire directly from active City service are not eligible for dental benefits upon retirement.

[S]MC 3.28.1210, 3.28.2020(A), 3.28.1420 & 3.28.590]

Please refer to the chapters on service retirements, medical and dental benefits, and death after retirement for a description of benefits and eligibility.

### **Right to Request Return of Contributions**

Even if you choose to leave your contributions in the retirement fund after leaving City employment and have not elected reciprocity, you may submit a written request for a return of your contributions at any time. You will receive your accumulated contributions plus interest earned. Thereafter, you will lose any rights that you, a surviving spouse or domestic partner, or child may have been entitled to under the retirement plan. [S]MC 3.28.780]

However, if you have elected reciprocity, you may not withdraw your contributions as long as you are employed by a reciprocal agency. Please refer to Chapter 18: Reciprocity for additional information.



## Chapter 16: Additional Annual Payments

This chapter provides information on additional annual payment to retirees or survivors through an annual cost-of-living adjustment (COLA).

### Determination of Cost-of-Living Adjustment

Effective April 1, 2006, the Federated City Employees' Retirement System will provide a 3% flat rate annual cost-of-living adjustment to retirees and survivors. [S]MC 3.44.160]

On April 1 of every year, your retirement allowance or your survivorship allowance will be adjusted. The cost-of-living increases are compounded.

Retirees must be retired and entitled to receive a retirement allowance on or before March 31<sup>st</sup> in order to receive the COLA for that year. [S]MC 3.44.030.B]

#### Cost-of-Living Calculation Examples

If you retired on June 1, 2024, with a retirement allowance of \$3,000.00 per month, your cost-of-living adjustment would be calculated as follows.

##### Example #1

From June 2024 through March 2025, your retirement allowance would remain \$3,000.00 per month. Starting in April 2025, you would receive your first cost-of-living adjustment to be calculated as follows:

$3\% \times \$3,000.00 = \$90.00$  Cost of Living Increase, effective April 1, 2025.

Effective April 1, 2025, your retirement allowance will become \$3,090.00 per month;  $\$3,000.00 + \$90.00 = \$3,090.00$  per month.

From then on, you would receive a cost-of-living increase every April. These increases will be based on your original retirement allowance, plus whatever cost-of-living increases have been granted in prior years. See example #2 below.

##### Example #2

From April 2025 through March 2026, your retirement allowance would remain at \$3,090.00 per month. In April 2026, you would receive your second cost-of-living adjustment to be calculated as follows.

$3\% \times \$3,090.00 = \$92.70$  Cost of Living Increase, effective April 1, 2026.

Effective April 2026, your retirement allowance would become \$3,182.70 per month;  $\$3,090.00 + \$92.70 = \$3,182.70$  per month.

## **Supplemental Retiree Benefit Reserve (SRBR) - Discontinued**

Effective January 1, 2018, the Supplemental Retiree Benefit Reserve (SRBR) was permanently discontinued and replaced by the Guaranteed Purchasing Power program. SRBR was a program which allowed for the distribution of excess investment earnings to eligible beneficiaries of the Federated Fund.

## **Guaranteed Purchasing Power**

Beginning January 1, 2018, the retirement benefit of each member shall be evaluated to determine if such member's retirement allowance (including any cost-of-living adjustments) is equal to at least 75% of the purchasing power of the member's retirement allowance at retirement. Purchasing power shall be measured by reference to the most current consumer price index for all urban consumers (CPI-U) in the San Francisco-Oakland-San José metropolitan area.

If a member's retirement allowance falls below 75% of purchasing power, the member shall receive a lump sum payment of the difference between the member's current retirement allowance and that required to achieve 75% purchasing power. Such payments shall be made each February, as needed, to achieve 75% of purchasing power the member had at the time of retirement.

[S]MC 3.28.1195]

Pursuant to the Settlement Agreement between the City of San José and the San José Retired Employees' Association, qualified beneficiaries of retirees eligible to receive Guaranteed Purchasing Power (GPP) payments who retired or died prior to November 9, 2017, will also qualify for GPP payments.

## Chapter 17: Service Purchases

This chapter summarizes the various Service Purchase options. The Federated City Employees' Retirement System offers several Service Purchase options which are defined in the San José Municipal Code. Service Purchases can increase your service credit and, in some instances, increase your retirement allowance. It is important to note that there are limitations on your eligibility to make service purchases, so please read this chapter carefully to determine if you are eligible for a service purchase.

All service purchases must be paid in full before the member retires. Each type of service purchase may have different payment options, which will be explained at the time your service purchase estimate is provided to you. The following payment options may be available, depending on the type of service purchase selected: rollover payment from your deferred compensation account, personal check, and bi-weekly post-tax payroll deductions.

### Summary of Available Service Purchases

Type of Service Purchase	Service Purchase Description
<b>Part -Time Service Purchase SJMC 3.28.2500</b>	If a contributing member of this system by November 24, 1998, the member may purchase all or some of their prior eligible part-time service that has not yet been granted. The cost includes both employee and City contributions, plus interest. One year of service will be credited for each 2080 (not 1739) hours purchased. Proportional credit will be given for partial years purchased. (Ord. 25732), [SJMC 3.28.680(D)].
<b>Rehire Redeposit SJMC 3.28.790</b>	A member who was rehired or reinstated prior to September 29, 2012, may redeposit prior withdrawn contributions. This includes employee contributions and accrued interest, plus the interest that would have been earned if the contributions and interest had remained in the retirement fund. <b>Note:</b> If you were hired, rehired or reinstated on or after September 30, 2012, you are a Federated City Employees' Retirement System Tier 2 Member and you will have the option redeposit prior withdrawn contributions for Tier 2 service credit only.
<b>Reciprocity Redeposit SJMC 3.28.2430</b>	A member who has established reciprocity may redeposit prior withdrawn contributions if their transfer between agencies took place after December 9, 1994. The cost includes employee contributions and accrued interest, plus the interest that would have been earned if the contributions and interest had remained in the retirement fund. <b>Note:</b> Federated City Employees' Retirement System Tier 1 is closed so members may be eligible for Tier 1 Classic or Tier 2 redeposit only.

Type of Service Purchase	Service Purchase Description
<b>DRO Redeposit SJMC 3.28.2720</b>	A member may redeposit the contributions and interest withdrawn by an ex-spouse or ex-domestic partner and receive credit for the service that had been allocated to the ex-spouse or ex-domestic partner. The cost includes employee contributions and accrued interest, plus the interest that would have been earned if the contributions and interest had remained in the retirement fund.
<b>Prior P&amp;F Service Redeposit to Federated Service SJMC 3.28.660</b>	A person who becomes a member of this system after terminating membership in the Police and Fire Retirement Plan may deposit their Police and Fire service into the Federated Plan. The purchase of this service will equal the amount that the member would have paid if he or she were a member of this system during the time they were a member of the Police and Fire Plan. <b>Note:</b> If you were hired, rehired or reinstated on or after September 30, 2012, you are a Federated City Employees' Retirement System Tier 2 member and your transfer will be for Tier 2 service credit.

## Part-Time Service Purchase

An active contributing member may elect a Part-Time Service Purchase if they were an active contributing member on November 24, 1998, at the time of filing the purchase, and all through the purchase period. Prior part-time service may be eligible for service purchase if the service was performed in a part-time position for which the member would have received service credit had the employment been on a full-time basis. A service purchase may also be available if the service was performed in one of the following categories:

- Service pursuant to the emergency employment act;
- Service pursuant to the comprehensive employment and training act;
- or
- Service performed on or after January 1, 1986, pursuant to an employment contract with the City.

Eligible prior service does not include service performed as an independent contractor. [SJMC 3.28 2500]

The cost of the Part-Time Service Purchase is the total contribution rate (City plus member) in effect on the date of the election which is then multiplied by the member's current annual compensation. However, if the member is retiring within one year of the purchase, the Part-Time Service Purchase cost will be the total contribution rate (City plus member) in effect on the date of the election, which will then be multiplied by the member's final compensation as if the member retired as of the date of such election.

[SJMC 3.28.2500 – 3.28.2520]

## Rehire Redeposit

Only members who are rehired on or before September 29, 2012, may redeposit their prior withdrawn contributions into the Tier 1 plan. The cost of the redeposit will include the total amount of previously withdrawn contributions plus all additional interest which would have been earned at the actual earned rate of interest compounded for every year beginning from the date you withdrew the contributions until the date the contributions are redeposited plus interest (at the regular rate of interest established by the Board) on the unpaid balance of all such moneys from the date you are rehired to the date such moneys are redeposited into the Retirement Fund. If you believe you are eligible for a Rehire Redeposit, please contact Retirement Services for your Rehire Redeposit Service Purchase Estimate.

When you are rehired Retirement Services will send you written notification of your eligibility to redeposit your withdrawn contributions. If you wish to have the prior service which was lost by reason of the withdrawal of your contributions re-credited to you, then you must make the election to redeposit within 30 days from and after the date that written notice is mailed or delivered to you. If the Board cannot find a record of having provided notice of redeposit options to the member, they may then provide notice and allow the member 30 days to respond. If you do not elect to redeposit within such time, it will be deemed that you have declined the Rehire Redeposit.

[S]MC 3.28.790]

**Note:** If you were hired, rehired or reinstated on or after September 30, 2012, you are Federated City Employees' Retirement System Tier 2 Member, and your redeposit will give you additional Tier 2 service credit. [S]MC 3.28.790(K)]

## Reciprocity Redeposit

A former member of Tier 1 who is eligible for reciprocity can redeposit previously withdrawn contributions if their transfer between reciprocal agencies is effective after December 9, 1994 (for eligibility requirements for reciprocity, please see Chapter 18: Reciprocity). The cost of the redeposit will include the total amount of all contributions and accrued interest previously withdrawn, plus the interest that would have been earned by such contributions and interest, at the retirement fund's actual earnings rate, from the date you withdrew the contributions until the date the contributions are redeposited. You will not earn actual service credit unless all contributions are redeposited before your retirement.

If you begin a redeposit but retire before all amounts have been redeposited, the amounts that you have redeposited will be returned to you. If you die after you begin to redeposit, but before all amounts have been redeposited, such amounts that have been redeposited will be paid to your designated beneficiary or to your estate if no beneficiary has been designated.

If you believe you are eligible for a reciprocity redeposit, please contact Retirement Services for your Reciprocity Redeposit Estimate.  
[S]MC 3.28.2430]

## **Domestic Relations Order Redeposit**

If a Tier 1 member's retirement account is divided via a Domestic Relations Order (DRO), the Tier 1 member can redeposit DRO contributions if withdrawn by their ex-spouse or ex-domestic partner. The cost of the redeposit will include the total amount of contributions and interest withdrawn by your ex-spouse or ex-domestic partner; plus all additional interest which would have been earned on the withdrawn contributions and interest at the actual rate earned by the retirement fund as of the date you elect to redeposit had they never been withdrawn; redeposit plus interest on the unpaid balance from the date you elect the redeposit to the date all such moneys and interest are fully redeposited into the retirement fund, at the actuarial rate in effect on the date the participant files the election.

The member's redeposit must be paid in full before retirement. If the member dies before retirement and before the redeposit is paid in full, the member will be credited with the amount of service that is determined by the Board to be attributable to the amount of payments made at the time of the member's death. In all other cases, if the redeposit is not paid in full before retirement, the member will not receive the years of service credit earned through the redeposit. Such member will only receive the redeposited contributions. If you are eligible for a DRO Redeposit, Retirement Services will notify you with a letter mailed to your residence. It is important to note that you will have 5 years from the initial notification by Retirement Services to make the DRO Redeposit. If you do not elect to redeposit within such time, it will be deemed that you have declined the DRO Redeposit.

**Note: This purchase is not eligible for a pre-tax rollover payment.**

[S]MC 3.28.2720]

## **Transfer of Contributions from the Police & Fire Plan to the Federated Tier 1 Retirement System**

A member who has transferred from the Police & Fire Plan to the Federated System Tier 1, and who ceased Police and Fire Plan membership before becoming a member of the Federated System, may elect within 30 days to transfer their Police and Fire service into the Federated System Tier 1. If you elect this option, you must pay into the Federated Plan the amount of money equal to what your Federated System Tier 1 account would have been if you had been a member of the Federated System Tier 1 during all your service in the Police & Fire Plan, plus actual earned interest. If you have more Police and Fire contributions than is required for the cost of this transfer, the excess contributions will be held in the Police and Fire Plan until you retire or

separate from the City. At that time, you will be required to request the return of your contributions to access those funds.

If you are eligible, Retirement Services will notify you with a letter mailed to your residence. It is important to note that you will have 30 days from the initial notification from Retirement Services or 30 days from the date you became a member of the Federated System (whichever is later) to elect the Transfer Service Purchase. If you do not elect this purchase within such time, it will be deemed that you have declined the Transfer Service Purchase offer.

[SJMC 3.28.660]

**Note:** If you were hired, rehired or reinstated on or after August 4, 2013 (Police members) or January 2, 2015 (Fire members), you are not eligible for Federated Tier 1. You are a Federated City Employees' Retirement System Tier 2 member and your transfer will be for Tier 2 service credit. [SJMC 3.28.030.28]

## **Payment Options for Those Who Elect to Redeposit Monies in the Retirement Fund**

If you elect to redeposit and pay into the Federated Retirement Fund the amounts needed to purchase service credits, you may, if you are eligible, choose from the following payment methods:

- Pay in one lump sum within sixty days from and after the date you filed your notice of election to redeposit. Lump sum payments may be made by personal check or by a rollover from your deferred compensation account, if allowed.
- For elections made on or after February 1, 2011, you may pay in post-tax installments payable within the time and manner determined by the Board. In order to make payments in installments, you must authorize, in writing, payment of the redeposit by payroll deductions and file the authorization with the Director of Finance within thirty days from and after the date written notice is mailed or delivered to you. This can be done by authorizing payroll deductions on the Service Purchase Contract which will be provided to you by Retirement Services who will also forward it to the Finance Department.
- Pay in a combination of a lump sum and installments.

**Note:** Lump sum rollovers cannot be used to pay for a DRO Redeposit.

Please remember all service purchases must be paid in full before you retire; it is important to begin the Service Purchase process well before you have applied for retirement.



## Chapter 18: Reciprocity

This chapter covers various topics related to reciprocity, including general eligibility requirements, benefits, redeposit provisions, and election process.

### Summary

Effective December 9, 1994, the City of San José entered into an agreement with the California Public Employees' Retirement System ("PERS" or "CalPERS") that extends reciprocal benefits to members of the Federated City Employees' Retirement System. Reciprocity is an agreement between the City and PERS that in certain situations results in improved retirement benefits for persons who move from one eligible retirement system to another. You may be eligible for reciprocity, for example, if you leave San José employment and begin working for a city, county or state agency where you become a member of PERS (or the new employer has a reciprocal agreement with PERS). Reciprocity also may apply if you formerly worked for a reciprocal agency and joined the Federated City Employees' Retirement System upon leaving the reciprocal system.

Reciprocity does not mean that your contributions will be transferred from one system to another. You are still subject to the rights and obligations of each system. If you qualify, reciprocity offers you enhanced retirement benefits. At retirement, you may be eligible to receive retirement benefits from more than one system, and you will receive separate checks from each system.

This chapter describes the reciprocity provisions that are part of the Federated City Employees' Retirement System. These provisions will apply when you are eligible for reciprocal benefits from San José. Although San José adopted the uniform reciprocal provisions requested by PERS, other reciprocal systems (including PERS) may have different provisions. You should contact the reciprocal system to determine the reciprocal benefits of that system to which you may be entitled.

### General Eligibility Requirements

City employees who join the Federated City Employees' Retirement System on or after September 30, 2012, are eligible for Classic Tier 1 membership if they meet the following requirements:

1. You must have been an active member in a reciprocal system prior to January 1, 2013. If your service in a reciprocal system was on or after January 1, 2013, you will be placed in Tier 2, not Classic Tier 1. As a Tier 2 member you may qualify for reciprocity under that plan. [SJMC 3.28.030.28(B)]
2. You must join the Federated City Employees' Retirement System within six months of terminating employment with a reciprocal system or you must join a reciprocal system within six months of terminating City of San José



employment. If your move between systems took place prior to January 1, 1976, the maximum time between leaving one plan and joining the other is 90 days. [SJMC 3.28.2410(A)]

3. You must not have concurrent or overlapping service between agencies. For example, if you leave a PERS agency and report vacation time before your actual separation date, and then start with the City of San José during that vacation time, you have concurrent payroll running at both agencies and will not be eligible for reciprocity. There must be a complete break in service from one agency to the other for reciprocity eligibility. [SJMC 3.28.2410(A)]
4. Except for the use of average monthly salary described below, the benefits of reciprocity apply only if your transfer between this retirement system and a reciprocal system, or from a reciprocal system to this retirement system, takes place after December 9, 1994. [SJMC 3.28.2410(B) & (C)]

## Benefits of Reciprocity

### Right to Leave Contributions on Deposit Regardless of Length of Service

Normally, when leaving City service, you must have five years of service to be eligible to leave your contributions on deposit. However, if you qualify for reciprocity, you may leave your contributions on deposit with the Federated City Employees' Retirement System no matter how many years of service you have credited with the system. If you leave your contributions on deposit, **you may not withdraw your contributions as long as you are still a member of a reciprocal system.**

[SJMC 3.28.2420(A)]

### Classic Tier 1 Membership

Any person eligible for Classic Tier 1 membership in the Federated City Employees' Retirement System is eligible for regular Tier 1 benefits as described in other sections of this handbook. **HOWEVER, if the Classic member is determined to be ineligible for Classic membership upon verification at retirement or another time, the member will be placed into Tier 2 and the retirement benefits and eligibility will be based only on the service with the City of San José Federated City Employees' Retirement System.**

### Combining Service in Reciprocal Systems to Meet Minimum Service Requirements

For the purpose of meeting minimum service requirements for qualification to receive benefits (e.g. vesting), you may be eligible to combine service in this retirement system with service in a reciprocal system.

For example, let's assume that you have three years of service in this retirement system. If you leave San José employment and establish reciprocity with a reciprocal system within six months, you have a right to leave your contributions on deposit

with San José. However, you must have at least five years of combined service to be eligible to receive a benefit.

This provision will allow you to count your service with a reciprocal system to meet the five-year requirement. In this example, you will need to work at least two years in a reciprocal system to meet the minimum requirements to receive a benefit from this retirement system. You will then be eligible to receive a benefit from San José if you retire concurrently from both systems. **You will only be eligible to receive a benefit based on your actual years of service in San José. The combination of service is only used to meet minimum qualifications to receive a monthly benefit.** It cannot be used to meet the minimum service required to receive medical or dental benefits.

To be eligible for to combine service in reciprocal systems to meet minimum service requirements, you must meet all the following conditions:

- You must be at least 50 years of age at time of retirement;
- You must still meet minimum age requirements of this system and the reciprocal system;
- You must retire concurrently from this retirement system and the reciprocal system;
- You must be credited with service in the reciprocal system; and
- Your transfer between retirement systems must take place after December 9, 1994.

[SJMC 3.28.2420(D)]

### **Use of Final Average Salary from Reciprocal System**

Your final average salary is an important factor in determining the amount of your retirement benefit. If you qualify for reciprocity, the highest final average salary in either system will be used by both systems to calculate your benefit.

For example, let's say you had 15 years of service in the Federated City Employees' Retirement System when you terminated your employment on December 31, 2019, and that you left your retirement contributions on deposit.

When you left, your final average salary was \$1,500 per month. On January 1, 2020, you started working for an agency whose retirement system is administered by PERS. Let's assume that you continued working there for an additional five years. Now you're 55 and ready to retire. Your final average salary at the PERS agency is \$3,000 per month. What happens?

### **Without reciprocity, an example of your possible benefits is:**

Reciprocal System Pension Benefit without Reciprocity:  $2\% \times 5 \text{ Years} \times \$3,000 = \$300$  per month. Note: 2% is used as an example. The reciprocal system would use whatever percentage applies under its benefit formula.

San José Pension Benefit without Reciprocity:  $2.5\% \times 15 \text{ Years} \times \$1,500 = \$562.50$  per month

**If you qualify for reciprocity, your benefits could be:**

Reciprocal System Pension Benefit with Reciprocity:  $2\% \times 5 \text{ Years} \times \$3,000 = \$300$  per month

San José Pension Benefit with Reciprocity:  $2.5\% \times 15 \text{ Years} \times \$3,000 = \$1,125$  per month

As you can see in this example, if you meet the qualifications for reciprocity, your benefit from the City of San José could go from \$562.50 per month to \$1,125 per month. This is because both systems will use your highest final average salary between the two agencies. Since your PERS salary was higher than your San José salary, both San José and the reciprocal system would use your PERS salary in their formula.

You may also be entitled to this benefit if you had prior PERS service before coming to San José.

Note: Final Average Salary will be calculated based on the retirement rules in place at the agency for which you qualify for reciprocity and may be different than rules for your San José pension. For example, Tier 1 for San José calculates final average salary based on your highest one year of salary. Other agencies may calculate your final average salary based on your highest three years of salary.

**Eligibility Requirements for use of Average Salary from Reciprocal System**

To be eligible to use the highest average salary from a reciprocal system, you must meet all the following conditions:

- You must be at least 50 years of age at time of retirement;
- You must still meet minimum age requirements of this system and the reciprocal system;
- You must retire concurrently from this system and the reciprocal system;
- You must be credited with the service in the reciprocal system; and
- Your transfer between retirement systems must take place after December 9, 1994.

[S]MC 3.28.2420(C)]

**Reciprocal Benefit When Member Receives Disability Allowance from Reciprocal System**

If you receive a disability allowance from a reciprocal system, San José will pay a retirement allowance with two limitations:

1. The benefit will not be greater than the difference between what the other system pays and what it would have paid for a non-service-connected disability had all your service been there; and
2. Your San José benefit will not be less than an annuity which is the actuarial equivalent of your San José contributions plus accumulated interest.

This applies regardless of whether the disability is for service-connected reasons.

[S]MC 3.28.2420(E)]

### **Survivorship or Death Benefits When Member Dies as a Member of a Reciprocal System**

The survivorship benefits or death benefits payable if you die from non-service connected causes as a member of a reciprocal system shall not exceed an amount which when added to the survivorship and death benefits paid for you under the reciprocal systems equals the maximum death benefit payable under that system. This is subject to the following limitations:

1. The survivorship and death benefits shall be at least the amount of your accumulated contributions plus interest accrued as of the date of death.
2. If your death is caused by service-connected injury or disease in the reciprocal system, the survivorship and death benefits shall be the amount of your accumulated contributions plus interest accrued as of the date of death.

[S]MC 3.28.2420(F)]

### **Special Redeposit Provisions**

If you are a former member of this retirement system who terminated City employment after December 9, 1994, and withdrew your accumulated contributions and interest, you may be allowed to redeposit those contributions and accrued interest. You may then be eligible for the benefits of reciprocity. To be eligible for this redeposit provision, you must meet the following requirements:

- You must meet the requirements for Classic Tier 1 in the section above entitled "General Eligibility Requirements;"
- You must redeposit all withdrawn contributions including interest that would have been earned by the withdrawn contributions and interest, at the retirement fund's actual earnings rate; and
- You must redeposit the above amount on or before retiring from this system or from the reciprocal system.

If you are not eligible for Classic Tier 1 membership, you may qualify for a redeposit as a member of the Tier 2 plan.

[S]MC 3.28.2430]

## **Electing Reciprocity**

If you leave City service to join a reciprocal retirement system and meet the qualifications for reciprocal benefits, you can elect reciprocity by written request at any time prior to retiring. The Reciprocity Election Form is available on Retirement Services website, [www.sjretirement.com](http://www.sjretirement.com).

Employees hired by the City after employment with a CalPERS or a CalPERS reciprocal agency have the option to be placed in Tier 1 Classic regardless of City hiring date if they are a “Classic” employee under the Public Employees’ Pension Reform Act (PEPRA). A “Classic” employee is one who first established membership in a CalPERS or a CalPERS reciprocal agency prior to January 1, 2013. Employees who first established membership in CalPERS or a CalPERS reciprocal agency on or after January 1, 2013, are considered “new” employees and will not be placed in Tier 1 Classic if hired by the City after September 29, 2012. To qualify, employees must also meet all the requirements of reciprocity as set forth in Chapter 18 of this handbook.

To enroll in Tier 1 Classic, employees must elect Tier 1 Classic during the new City employee onboarding process. Employees must also submit a Reciprocity Election form to Retirement Services. If an employee is eligible for Tier 1 Classic but does not elect Tier 1 Classic during the onboarding process, the employee will be placed in Tier 2. Employees placed in Tier 2 may still be eligible for reciprocity, regardless of whether they elect to join the Tier 1 Classic plan.

[S]MC 3.28.030.28.B.2 & 3.28.030.32]

## Chapter 19: IRS Limits

This chapter discusses limitations the Internal Revenue Service (IRS) has imposed on pension plan allowances and benefits that employers can pay to their employees and retirees under qualified plans such as the Federated City Employees' Retirement System. These limitations may reduce the allowance and benefits that you would otherwise receive from the City after you retire.

### Internal Revenue Code Section 401(a) (17)

Generally, IRC Section 401(a)(17) limits the amount of compensation that may be used to calculate a retirement benefit. The limit may be adjusted annually; the maximum compensation that can be used to calculate your retirement benefit for the current calendar year can be found on our website at [www.sjretirement.com](http://www.sjretirement.com) under Members > Active > Know Your Benefits > Benefit Limits. If you earned more than the annual amount in your compensation, Retirement Services will not be able to include the excess in calculating your benefit.

This "compensation cap" applies to your benefits if you became a member of the system on or after January 1, 1996.

[S]MC 3.28.990]

### Internal Revenue Code Section 415

The Internal Revenue Service (IRS) has imposed limits on pension plan allowances that a retirement plan can pay to their beneficiaries under qualified plans such as the Federated City Employees' Retirement System. These limitations may reduce the allowance and benefits that you would otherwise receive from the Plan after you retire. Those retirement plans that are not in compliance with Section 415 of the Internal Revenue Code ("415(b)") are subject to severe financial penalties, including the loss of tax-exempt status for the retirement plan and immediate annual taxability of each employee's pretax contributions to the retirement benefits.

You can find the current year IRC 415(b) maximum on Retirement Services website, [www.sjretirement.com](http://www.sjretirement.com)

[3.28.995]

IRC 415 places a dollar limit on the annual retirement benefit ("allowance") that a retiree can receive from a tax-qualified pension plan. For example, in 2025, the maximum dollar limit was \$280,000. The IRC 415 benefit limit is indexed annually based on inflation.

Adjustments are made to a retiree's individual IRC 415 dollar limit based on the following factors, which are discussed further below:

- Age at retirement
- Less than 10 years of service
- Membership before January 1, 1990 ("Grandfather")
- Post tax contributions
- Unqualified joint & survivor benefit

### **Age at Retirement**

If a member retires before age 62, their IRC 415 limit is adjusted to be the actuarial equivalent as if the member was aged 62. A retiree's age-adjusted limit is based on the retiree's age at retirement rounded down to the nearest month. The current year age-adjusted benefit limit table by month can be found on Retirement Services' website, [www.sjretirement.com](http://www.sjretirement.com).

There are two exceptions to the age-adjusted limit:

1. Retirees who were employed in the Police or Fire Department for at least 15 years are exempted from the age adjustment. Their IRC 415 limit is the maximum limit without age reduction. The retiree must have been in a position budgeted in the Police or Fire Department for at least 15 years. Federated retirees who were assigned to work in the Police Department but were in a position budgeted in another department such as Information Technology or Human Resources are not exempted from age adjustment.
2. Retirees who are approved by the Board for a service-connected or non-service-connected disability retirement are exempted from the age adjustment. Their IRC 415 limit is the maximum limit without age reduction. [SJMC 3.28.995(H)(3)]

### **Less than Ten Years of Service**

If a retiree has less than 10 years of service, their IRC 415 limit is subject to additional actuarial reduction. Because pension allowances are based on years of service, it's unlikely that a retiree with less than 10 years of service will earn enough in retirement to exceed their dollar limit.

### **Membership Before January 1, 1990 ("Grandfather")**

If a retiree was a member of the Federated plan before January 1, 1990, they may be eligible for a "grandfather" benefit based on the plan benefits at the time they joined the plan. This is also referred to as a "TAMRA" (Technical and Miscellaneous Revenue Act of 1988) adjustment.

For retirees hired before January 1, 1990, their potential allowance in any given year cannot be lower than the allowance they would have received under plan rules in in



effect on October 14, 1987. The following plan rules were in effect on October 14, 1987, which are different from Tier 1 plan rules currently in effect:

- Final average salary based on the retiree's 3 highest years.
- Annual COLA adjustment tied to the Consumer Price Index with a maximum of 3%, banking, and a one-year waiting period.

A retiree will be disqualified from the grandfather/TAMRA calculation, regardless of date of membership, if they took advantage of plan benefits that were not available on their date of membership, including the following:

- Any service purchase if the service was needed to be eligible to retire.
- The selection of a survivorship option.
- Retirement with reciprocal benefits.
- The utilization of an "Early Retirement Incentive" offered to employees in 1992 and 1993.

If a retiree is eligible for a grandfather/TAMRA benefit, their annual benefit allowance will be calculated in two ways. First it will be calculated based on the plan rules at the time of their retirement (i.e. the current rules) and adjusted based on their IRC 415 dollar limit. Second, it will be calculated based on the plan rules at the time of the date they joined the plan (this calculation is not subject to IRC 415 limit). If a retiree is impacted by IRC 415 in a given year, the retiree is automatically given the higher benefit between the two calculations. In some years the higher benefit may be the grandfather benefit, in other years it may be the IRC 415 adjusted benefit. Regardless, it's evaluated every year and the retiree is given the higher benefit every year in which they're impacted.

### **Post Tax Contributions**

Retirees who were members of the plan on or before April 18, 1987, made post tax retirement contributions. The value of their post-tax retirement contributions does not count toward their IRC 415 limit. For example, if you're IRC 415 limit is \$175,000 in a given year and you made \$10,000 in post tax retirement contributions before April 18, 1987, your maximum earnings for that year would be \$175,000 plus \$10,000 or \$185,000.

[S]MC 3.28.995(A)]

### **Unqualified Joint & Survivor Benefit**

If a retiree has an "unqualified joint and survivor benefit" under IRC 415, their IRC 415 limit is subject to additional actuarial reduction. Below are ways your survivorship benefit would be considered an unqualified joint & survivor benefit under the IRC 415 rules:

1. A retiree designates a non-spouse beneficiary, such as a registered domestic partner.



2. A retiree chooses a survivorship benefit that is less than 50% of the retiree's benefit. Currently, there are no Federated survivorship benefits less than 50% of the retiree's benefit so this does not apply to Federated retirees.

[SJMC 3.28.995(A)]

[3.28.995(B) & (E)]

#### **415(b) CALCULATION EXAMPLE**

Below is an example of the 415(b) calculation for a member who retired in 2023. For this example, the retiree joined the plan after January 1, 1990, and was not a member of either the Police or Fire departments. The retiree also had at least 10 years of service, was not married and did not designate any beneficiaries at the time of retirement.

Based on the chart below the maximum annual 415(b) limit on benefits for 2023 is \$265,000 at age 62.

If our example retiree retired in 2023, in the month they turned age 55, the retiree's age-adjusted limit is \$166,000.

<b>City of San José</b> <b>415(b) Dollar Limit for Retirements in 2023</b> (assuming 10 or more years of service and no after-tax contributions) (before adjustments**)		
<b>Retirement Age</b>	<b>415 Benefit Limit* January – June Retirements</b>	<b>415 Benefit Limit* July– December Retirements</b>
48	\$108,128	\$108,313
49	\$114,765	\$114,950
50	\$121,880	\$122,064
51	\$129,515	\$129,698
52	\$137,720	\$137,900
53	\$146,544	\$146,719
54	\$156,044	\$156,213
55	\$166,283	\$166,443
56	\$177,319	\$177,468
57	\$189,215	\$189,351
58	\$202,065	\$202,184
59	\$215,962	\$216,060
60	\$231,010	\$231,081
61	\$247,316	\$247,356
62 or older	\$265,000	\$265,000

\*No forfeiture of accrued benefits is assumed upon death prior to retirement.

#### **Additional IRC Section 415 Limitations**

Survivorships, which are based on the allowances to which retirees would have been entitled, may be reduced due to 415(b) adjustments. [SJMC 3.28.1580; 3.28.1590; 3.28.1600]

## Chapter 20: Dissolution of Marriage or Domestic Partnership

This chapter explains several ways the community property interest in your pension can be addressed in the event of the dissolution or legal separation of a marriage or registered domestic partnership. You may reach an agreement which awards your pension to you as your sole and separate property or you may divide your pension by means of a Plan Approved Domestic Relations Order. In either case, you must provide Retirement Services with copies of the legal documents which set forth you and your ex-spouse's community property interest in your pension. Retirement Services will need a filed Judgment of Dissolution with all attachments which may include a Marital Settlement Agreement. A filed Plan Approved Domestic Relations Order will be needed if the pension is to be divided.

**Note:** Under California's community property laws, retirement benefits earned during a marriage or State registered domestic partnership are community property assets. Any questions regarding the rights of your spouse or domestic partner to a community property interest in your retirement benefits must be resolved before your retirement benefits can be issued to you. The San José' Federated City Employee Retirement Plan is a government plan under federal law. It is not subject to the Employee Retirement Income Security Act (ERISA).

### Plan Approved Domestic Relations Order (PADRO)

If your pension will be divided, you must follow Chapter 3.28, Part 23 of the San José Municipal Code which sets forth the requirements for a Plan Approved Domestic Relations Order (PADRO). A PADRO is a court order which sets forth the terms and conditions for the division of retirement benefits. These requirements can be found in our *Guidelines for Plan Approved Domestic Relations Orders* which is available on Retirement Services website [www.sjretirement.com](http://www.sjretirement.com).

Dividing your pension can be a lengthy process as there are several legal steps and processes that must be followed. Below is a general description of the necessary steps:

1. You or your Attorney must join the Retirement Plan to the divorce matter.
2. You or your attorney must create a draft Domestic Relations Order and submit it to Retirement Services for review by the Plan's Legal Counsel.
3. If there are no questions or requests for clarification from Retirement Services' Legal Counsel regarding the draft Domestic Relations Order, your attorney will receive a letter from Retirement Services' Legal Counsel requesting a copy of the filed Domestic Relations Order and a copy of the filed Judgment of Dissolution for final review.
4. You or your attorney will need to submit the filed Domestic Relations Order

and a copy of the filed Judgment of Dissolution to Retirement Services' Legal Counsel for final review.

5. If there are no corrections or clarifications from Retirement Services' Legal Counsel regarding the filed Domestic Relations Order and the filed Judgment of Dissolution, your attorney will receive a letter from Retirement Services' Legal Counsel advising that the Domestic Relations Order and Judgment of Dissolution are acceptable. Retirement Services staff will then be authorized to implement the order (divide the retirement account according to the order).

There are two types of divisions of a retirement account: a Separate Account and a Combined Account. Each type of account has its own set of rules and requirements. Below is a general description of each type of division. For more detailed information on the rules, requirements and calculations of each type of division, please review the *Guidelines for Plan Approved Domestic Relations Orders*, which is available on Retirement Services website, [www.sjretirement.com](http://www.sjretirement.com).

### **Combined Account Domestic Relations Order (CADRO)**

In the Combined Account Domestic Relations Order (CADRO), the Retirement Plan maintains one account which combines both person's share of the pension. When the member retires, the Plan pays a portion of the member's monthly benefit to each person. Typically, each person's share of the community property interest in the retirement benefit is calculated as a percentage. The calculation is done at the time of the participant's retirement, and the percentage is then applied to each monthly retirement benefit when the benefit is paid. If you are already retired or separated from City service when the pension is split, the only option available is the Combined Account Option. Separate Account Domestic Relations Orders, described below, are only available if you are an active City employee at the time the pension is split.

### **Separate Account Domestic Relations Order (SADRO)**

In the Separate Account Domestic Relations Order (SADRO), the member's retirement account is divided at the time of the marital dissolution and a separate account is established in the name of the ex-spouse. The member's earned service credit and the associated employee contributions (plus interest) accrued during the marriage or domestic partnership is divided between the member's account and the ex-spouse's account. The division is determined using the method specified in the SADRO. The division of the service credit will not affect a member's vesting or eligibility for retirement. For those purposes, the service credit is aggregated. However, the service credit in the alternate payee's account will not be used to calculate the amount of the member's actual benefit.

If at the time the domestic relations order is filed with the court, the member has less than 10 years of service credit, the alternate payee will receive an automatic lump sum pay-out of the accumulated contributions placed in the alternate payee's account. If the member has 10 or more years of service, the alternate payee (ex-spouse or ex-

domestic partner) can elect to receive a pay-out of accumulated contributions, or they can leave the money on deposit with the Plan and receive a monthly pension benefit later when the alternate payee meets the eligibility requirements. For more information on alternate payee eligibility for a monthly benefit, please review the *Guidelines for Plan Approved Domestic Relations Orders*, available on Retirement Services website, [www.sjretirement.com](http://www.sjretirement.com).

If the alternate payee receives a pay-out, the member can elect to redeposit the funds (plus interest) and receive service credit for the service that had been allocated to the alternate payee. This election must be made within 5 years of the time the member is notified of the right to make the redeposit, and the redeposit must be completed before the participant retires. Please refer to Chapter 17: Service Purchases for more information on Domestic Relations Order Redeposits.

The Separate Account option is available only if the member is an active City employee. Members who have either retired from the Plan or terminated City employment, are not eligible and must utilize the CADRO option.

If you are going through a divorce and/or will be dividing your retirement account, please understand that Retirement Services cannot issue any retirement benefits until the community property interest in your pension is resolved and all the legal documents (Judgment of Dissolution and/or DROs) are received and approved by Retirement Services' Legal Counsel. As this may delay the processing of your first retirement pension check, we encourage you to contact Retirement Services as early as possible in your divorce process.

### **Disability Retirement with a Separate Account**

Generally, if you had less than 16 years of service at the time of your disability retirement and you have a SADRO, Retirement Services will recalculate your benefit at the time you become service retirement eligible and/or your ex-spouse begins receipt of their alternate payee benefit. At this time, Retirement Services will reduce your base benefit by the base amount due to the alternate payee, your ex-spouse, with a Separate Account.

The alternate payee with a separate account does not receive payment until such time as the member would have been eligible for a service retirement had the participant continued working. Disability benefits shall be allocated between the participant and the alternate payee as follows:

1. Until the date you would have been eligible for a service retirement or the date the alternate payee applies to receive a monthly allowance, whichever date is later, disability retirement benefits shall be paid to the participant without regard to the service credit awarded to the alternate payee.
2. Once you would have been eligible for a service retirement had you continued working and the alternate payee applies to receive a monthly allowance from

the retirement fund the amount of your monthly allowance will be reduced by the base amount due to alternate payee.

Disability Retirement Example:

- Member has 14.0 total years of service, is age 43 and final compensation is \$10,000.
- Alternate Payee (ex-spouse) was awarded 4 years of the members total service credit leaving the member with 10 years of service.
- Member is approved for Service-Connected Disability Retirement. Since he has less than 16 years of service, member's benefit is calculated at 40% of Final Compensation, the minimum benefit for Service-Connected Disability Retirement.

The Disability monthly retirement allowance would be Final Compensation x 40%:

$$\$10,000 \times 40\% = \$4,000 \text{ Monthly Retirement Allowance}$$

When disability retiree is eligible for Service retirement (age 55 with 5 or more years of service), or when alternate payee is eligible for and applies to receive a monthly allowance, whichever date is later, the combined benefit will be reduced by the amount due to the alternate payee.

Members Disability Benefit:

Members YOS prior to SADRO = 14 YOS

Final Compensation = \$10,000

Member's Disability Benefit  $\$10,000 \times 40\% = \$4,000$  (Service-Connected Disability Minimum)

Alternate Payee's Calculation:

Alternate Payee is eligible for 4 YOS  $\times 2.5\% = 10\%$

Total % of Final Compensation = 10%

$\$10,000$  (Final Compensation)  $\times 10\% = \$1,000.00$  Monthly Allowance

Member's New Base Benefit after Alternate Payee begins receiving benefit:

Member's Original Disability Benefit:	\$4,000
Less Alternate Payee's Base Benefit:	<u>-\$1,000</u>
Member's New Base Benefit	\$3,000

[3.28.2770]

## **Chapter 21: Other Retirement Benefits Not Administered by Retirement Services**

This chapter contains information on other retirement benefits not administered by Retirement Services, including deferred compensation, sick leave payout, and optional membership in the San José Retired Employees Association.

### **Deferred Compensation Program**

The City of San José's Deferred Compensation Plan is a governmental deferred compensation plan defined by Section 457(b) of the Internal Revenue Code, commonly called a 457 deferred compensation plan. Deferred compensation plans allow employees to supplement existing retirement benefits by saving and investing before-tax dollars (Traditional 457(b)) or after-tax dollars (Roth 457 (b)) through voluntary salary deferral. For a Traditional 457(b) account, contributions and associated earnings are tax-deferred until the money is withdrawn. This usually occurs during retirement when the retiree is typically in a lower tax bracket than while working. Both options are a voluntary benefit and provide a convenient way for City employees to save money for retirement.

For more information about the City's Deferred Compensation Program, visit the Human Resources page on the City of San José website, [www.sanjoséca.gov](http://www.sanjoséca.gov) or email [benefits@sanjoséca.gov](mailto:benefits@sanjoséca.gov).

### **Sick Leave Payout**

Certain union members may receive a sick leave payout at the time of retirement or death if they have at least 15 years of service at the time of their retirement or death. To determine if you're eligible to receive a sick leave payout, you can review your union's current Memorandum of Agreement (MOA) or Compensation Summary on the Employee Relations page on the City of San José website, [www.sanjoséca.gov](http://www.sanjoséca.gov) or email [employee.relations@sanjoséca.gov](mailto:employee.relations@sanjoséca.gov).

The Payroll Division of the Finance Department issues vacation, compensatory and sick leave payout checks within three payperiods after your last day on payroll. If you have questions regarding your final leave pay-off check, email [paysuper@sanjoséca.gov](mailto:paysuper@sanjoséca.gov).

### **VEBA - Voluntary Employees' Beneficiary Association**

A VEBA is a defined contribution health reimbursement arrangement plan for retiree healthcare expenses.

Tier 1 employees may have irrevocably elected to participate in the VEBA. If you elected to participate in the VEBA, your previous employee retiree healthcare

contributions were withdrawn from the retirement plan placed into your individual and separate VEBA account. Employees who elected to participate in VEBA are not eligible for subsidized medical coverage by the Retirement Plan. Retirees who are members of VEBA may enroll in medical and dental plans offered through Retirement Services, however, the premiums are not subsidized by the Retirement Plan.

For more information about the VEBA Program visit the Human Resources page on the City of San José website, [www.sanjoseca.gov](http://www.sanjoseca.gov) or email [veba@sanjoséca.gov](mailto:veba@sanjoséca.gov).

### **San José Retired Employees Association (SJREA)**

You will have the opportunity to enroll in San José Retired Employees Association ("SJREA") membership at the time you retire. Please contact the SJREA at [www.sjrea.org](http://www.sjrea.org) for information about the association and how to join.

## Chapter 22 – Social Security

City employees do not contribute to the Social Security system and do not receive Social Security credit for their City service. You may still be eligible for Social Security benefits if you were previously employed by some other institution or company that did contribute to Social Security.

The Social Security Fairness Act, HR 82, concerning the Windfall Elimination Provision and Government Pension Offset, was signed into law on January 5, 2025. Upon implementation, the Social Security Fairness Act eliminates the reduction of Social Security benefits while entitled to public pensions from work not covered by Social Security. This means that Federated retirees who have earned enough Social Security credits to be eligible for a Social Security benefit (through employment outside of the City of San José) will receive full Social Security benefits.

The Social Security Fairness Act does not impact City of San José pension benefits.

For more information on social security benefits, visit the Social Security Administration website at [www.ssa.gov](http://www.ssa.gov).



## Chapter 23: Glossary

Following is an explanation of the terms used in this handbook.

### **ACCUMULATED CONTRIBUTIONS**

The sum of a member's accumulated normal contributions and the member's accumulated prior service contributions, made by the member and standing to the credit of the member's individual account. [SJMC 3.28.030.16]

### **ACTUARIAL EQUIVALENT**

A benefit of equal value when computed upon the basis of the mortality tables adopted and the regular interest rate fixed by the Board. For example, if you choose an option that pays you a lower retirement allowance in return for your spouse or domestic partner receiving a higher survivorship allowance, the total benefit is an actuarial equivalent. In other words, the total payments to you and your spouse are calculated to be equal under any option that you may choose. [SJMC 3.28.030.01]

### **ACTUARY**

The Retirement Board's actuary is a statistician who compares economic and demographic assumptions for the Retirement Plan with the actual experience of the Plan. The actuary then determines the projected liabilities and makes recommendations for the City and member contribution rates. The actuary is also responsible for analysis and cost estimates of any proposed plan changes.

### **COMPENSATION**

Compensation includes your base salary, including all paid leaves (sick leave, paid holidays, paid vacation leave, and paid compensatory time), and holiday in lieu pay. [SJMC 3.28.030.5]

### **COMPENSATION EARNABLE (FULL-TIME SERVICE)**

The average monthly (or biweekly, if compensation is paid on a biweekly basis by the City) compensation of a member employed on a full-time basis, as determined by the Board upon the basis of the average time put in by members in the same group or class of employment and at the same rate of pay. The computation of compensation for time during which a member is absent shall be based on the compensation earnable by the member at the beginning of the absence, and the computation of compensation for time prior to entering Federated City service shall be based on the compensation earnable by the member in the position first held by him or her in such service. [SJMC 3.28.030.06(A) & (C)]

### **COMPENSATION EARNABLE (PART-TIME SERVICE)**

The monthly (or biweekly, if compensation is paid biweekly) compensation actually paid to such member for such part-time service. [SJMC 3.28.030.06(B)]

### **DEFERRED VESTED EMPLOYEE**

A former member of the Federated City Employees' Retirement System who resigned or was discharged from a position covered in the Plan with at least 5 years of service upon resignation or discharge or by reason of layoff or leave of absence which is determined by the Retirement Board to have resulted in permanent discontinuance (the effective date of such discontinuance to be the date of said determination by the Board) and allows his or her contributions to remain in the fund. This does not include those that have continued their membership through Reciprocity. [3.28.590(A)(B)]

#### **FEDERATED CITY SERVICE**

Period of time for which retirement system members worked for the City and were enrolled in the Retirement System. Includes "prior service" (service before July 1, 1975) and "current service" (service since July 1, 1975). [S]MC 3.28.610]

#### **FINAL COMPENSATION (FINAL/HIGHEST AVERAGE SALARY)**

If separation takes place prior to July 1, 2001, your final compensation is the highest average annual base pay earnable over three consecutive years of City service. Your monthly final compensation is calculated by dividing your base pay during your most highly paid three consecutive years of salary by 36. (For persons who qualify to be members of the retirement system as part-time employees, the compensation used is the amount actually paid to you for the part-time service).

If separation takes place on or after July 1, 2001, Final Compensation is highest average monthly salary during 12 consecutive months. Your final compensation is the highest average annual base pay earnable throughout your entire employment while contributing to Tier 1. Your monthly final compensation is calculated by dividing your base pay during your most highly paid year of salary by 12. For persons who qualify to be members of the retirement system as part-time employees, the compensation used is the amount actually paid to you for the part-time service. The final compensation shall not exceed 108% of the second-highest average annual compensation earnable by the member during any twelve consecutive months, excluding all the months used to determine the highest average annual compensation earnable.

If you have breaks in service, those breaks may be combined to make a period of three consecutive years or twelve consecutive months, as applicable, as long as the periods of service are consecutive except for such breaks. If a break in service did not exceed six months in duration, time included in the breaks and compensation earnable during such time shall be included in computation of final compensation. If a break in service exceeded six months in duration, the first six months of the break and the compensation earnable during those six months shall be included in the computation of final compensation. Time included in the break that is more than six months and the compensation earnable during that excess time shall be excluded in the computation of final compensation. [S]MC 3.28.030.11]

#### **MEMBER – TIER 1 CLASSIC**

Any person entering the City of San José Federated City Employees' Retirement System on or after September 30, 2012 who is otherwise eligible for this Plan and who was an active member in another California public retirement system, with which this Plan has reciprocity under Part 21 of the San José Municipal Code, prior to January 1, 2013, and who has a break in service of less than six (6) months from that covered employment and employment with the City, other than those who meet the definition of a new member as defined by Government Code Section 7522.04(f) as may be amended. Tier 1 Classic members hired on or after September 28, 2013, are not eligible for the defined benefit retiree healthcare plan.  
[3.28.030.28; 3.58.020.08; 3.5.100]

#### **MEMBER – TIER 1**

Any person entering the City of San José Federated City Employees' Retirement System on or before September 29, 2012.

#### **MORTALITY TABLE**

A table detailing the expected life span and expected number of annual deaths of retirement system members. The table is developed by the system's actuary.

#### **RECIPROCITY**

An agreement effective on December 9, 1994, between the City of San José and the California Public Employees' Retirement System (CalPERS) that extends to the members of other participating public agency retirement systems rights in this Retirement System and vice versa. In certain situations, reciprocity results in improved retirement benefits for persons who move from one retirement system to the other. [SJMC 3.28.2410(B)]

#### **REGISTERED DOMESTIC PARTNERSHIP**

A legal recognition of the committed, marriage like, partnership of a couple. The Domestic Partnership must be registered with the California Secretary of State (documentation must include a Domestic Partnership Certificate and a notarized Declaration of Domestic Partnership) and the Domestic Partnership must meet all Domestic Partnership eligibility requirements under California State law. [3.28.1460(F); 3.28.1560(D)]

#### **REGULAR INTEREST**

Interest at the annual rate fixed by the Board, compounded annually, plus such additional interest as the Board may credit from year to year. [SJMC 3.28.030.24]

#### **RETIREMENT ALLOWANCE**

The monthly service retirement allowance or disability allowance you receive after you retire. This allowance may also be called a pension.

#### **RETIREMENT BOARD**

The seven-member Retirement Board is comprised of two City employees from different departments elected by the members of the system, a Retiree

Representative, four members of the public who are not connected with the City, but have least 12 years of experience relevant to the administration of a public retirement plan, such as pension administration; pension actuarial practice; institutional investment management; auditing; accounting; legal; health and welfare and/or employee benefits management; investment management; banking; asset/liability management for an insurance company; college or university professor with a focus on fiduciary or trust fund law or a quantitative background in financial theory or actuarial math..

The Board is appointed by the City Council and serves in accordance with Section 2.08.300 of the San José Municipal Code. The Retirement Board has exclusive control of the administration and investment of the retirement fund, subject to the provisions of the San José Municipal Code and the Charter of the City of San José. It may make and enforce reasonable rules and regulations for the administration, management, and control of the retirement system and its funds. In addition, professional investment advisors may be retained, as needed, to assist the Board in setting investment policies for the retirement fund.

[S]MC2.08.1010, 3.28.140 & 3.28.310]

#### **RETIREMENT SERVICE CREDIT**

(See “Service, Years of Service”)

#### **SAN JOSÉ MUNICIPAL CODE [S]MC]**

The body of laws governing the City of San José and the Federated City Employees’ Retirement System.

#### **SERVICE, YEARS OF SERVICE (RETIREMENT SERVICE CREDIT)**

Period of time for which Retirement System members work for the City of San José and are enrolled in the Retirement System. Includes regular full-time and eligible part-time service, eligible active military service, and absence from work with full compensation (paid administrative leave, paid compensatory time, paid disability leave, paid holidays, paid sick leave, paid vacation time, etc.)

You earn one year of Federated City service if you work at least 1,739 hours of service credit in any calendar year. Although you work 2,080 hours per year if you work full-time, you only need 1,739 hours to earn one year of retirement service credit. If you work more than 1,739 hours in one year, you still get one year of credit. If you are on a reduced (less than full-time) work schedule but work 1,739 hours in one year, you earn one year of credit. If you work fewer than 1,739 hours in one year, you divide the actual number of hours you worked by 1,739 to determine the service credit for that year.

For example, if you worked 10 years and two months (or eight weeks), your retirement service credit would be calculated as follows:

**Full years of service:** **10.00**

**Partial year:** 8 weeks x 40 hours per week = 320 hours  
320 hours / 1739 hours (full year) = **0.18**

**Total years of service:** **10.18**

[SJMC 3.28.680]

### **SURVIVING CHILD/CHILDREN**

Your natural or adopted children who meet all the following requirements:

- The child survives your death;
- The child is neither married nor a member of a registered domestic partnership at the time of your death (and has never been married or a member of a registered domestic partnership);
- The child is under the age of 18 years at the time of your death; and
- If the child is adopted, the adoption was completed prior to your death.

[SJMC 3.28.1560(B)]

If you have a child that is born after your death, the child will be entitled to benefits at birth. [SJMC 3.28.1630]

### **SURVIVING SPOUSE OR SURVIVING DOMESTIC PARTNER**

The person to whom you were married or in a registered domestic partnership with both at the time of your death and at the time you were granted a retirement.

[SJMC 3.28.1560(C)(D)]